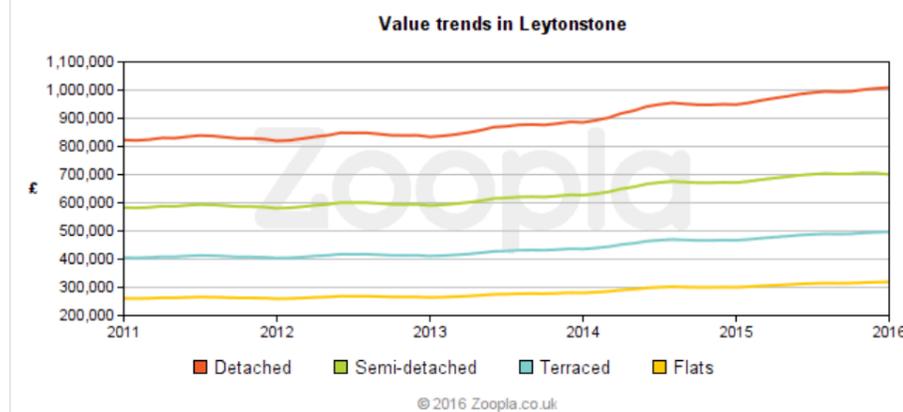
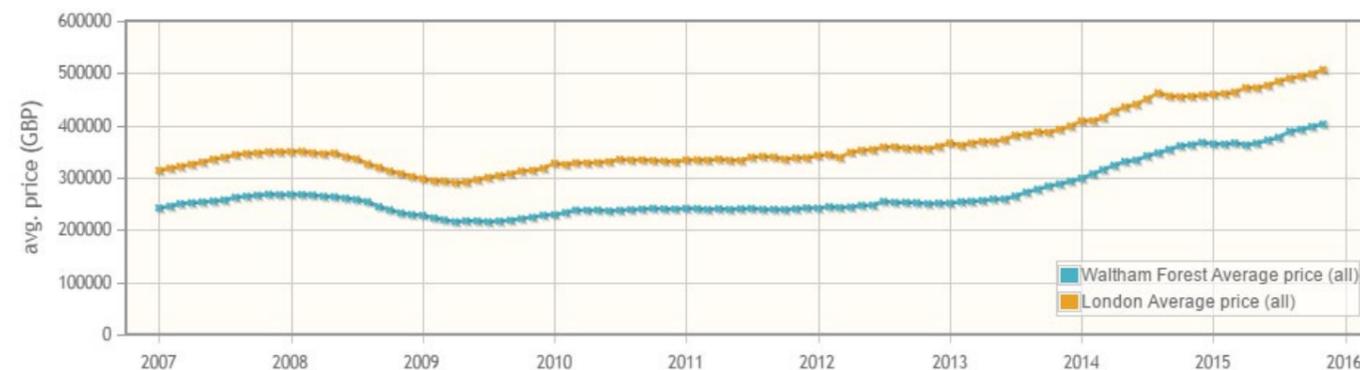
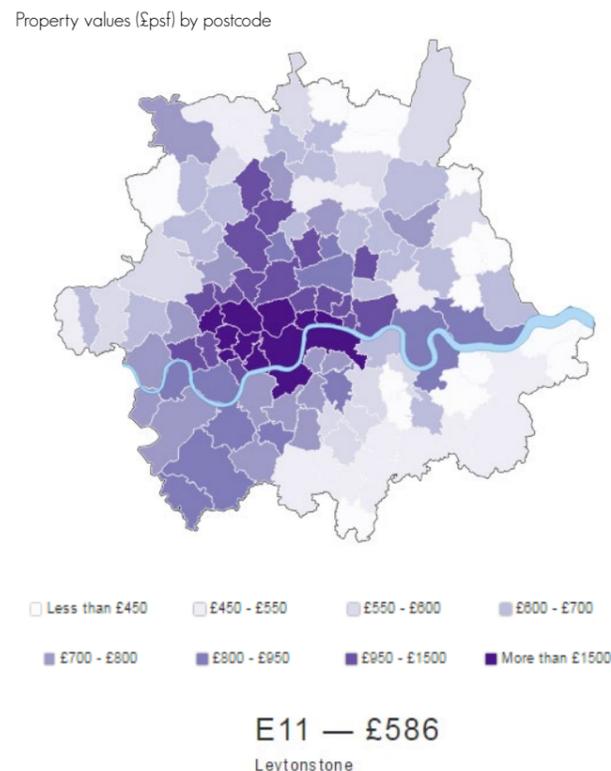


BOROUGH CONTEXT

Outer London boroughs such as Waltham Forest have seen significant price growth in recent years, outpacing that of Inner London by 1.5% in 2015 according to a report published by CBRE. In the 12 months to June 2015, LB Waltham Forest showed greatest annual growth in property values of all local authorities in the UK, increasing by 16.8% over the period. This growth was concentrated in the areas of Walthamstow, Leyton, Leytonstone and Wanstead.

Average house prices in LBWF are now significantly higher than the market high of 2008 and rose sharply from early 2013 to the end of 2014. Prices then plateaued in early 2015 before rising again and are seemingly on an upward trend, rising above £400,000 in Q1 2016.

Despite the recent increase in values, the borough remains relatively affordable compared to other areas of London. Average £psf prices for local stock range from about £350 psf in parts of the Borough which are poorly connected to train links to almost £700 psf in Walthamstow Village, which enjoys good connections via the Victoria Line. Values in Leytonstone are £586psf, which is below the average for neighbouring postcode areas to the west, such as Leyton (£766psf) and Stratford (£619psf) which also benefit from good transport links but are closer to central London.



PROPERTY VALUES

The Property Value Heatmap (left) provides a more nuanced picture of value trends in the local area. This suggests that house values in Leytonstone, particularly in the area with a high concentration of Victorian terraced stock in close proximity to the station, are higher than in Leyton to the west, with an average value of £488,000 compared to £371,000 in Leyton. However, this average value for Leytonstone is likely to also reflect higher values in the neighbouring areas of Wanstead and Snaresbrook to the east, which fall within the same postcode area.

According to Zoopla, the average property value in Leytonstone is £442,000. Values have increased by 13% over the last 12 months, which is in line with the rate of growth for the borough as a whole. Value trends have broadly followed the pattern for LB Waltham Forest as a whole, which prices growing rapidly in H1 2015, before plateauing in the second half of the year, followed by growth in Q1 2016. Values for houses have increased more than values for flats over the last 12 months.

FORTHCOMING DEVELOPMENTS

Schemes in proximity include the Hainault Exchange scheme, which is under construction and will deliver 112 units across two sites; and the Leyton Police Station Scheme, also under construction, which will provide 20 residential units. The Indian Muslim Federation Hall scheme, located near to Leytonstone Over-ground Station, was granted permission in 2012 for 37 flats (and associated community hall), however this permission has not yet been implemented.

Sales information from the Hainault exchange scheme suggest an average value of c£430psf as set out below:

Details	Developer	Total Homes	Avg £psf	Ave £	Date Sold	Completion Date
The Exchange (Hainault Triangle Sites A&B)	Bellway Homes	62	£427	£401,495	Mar-15	Feb-16
The Exchange (Hainault Triangle Sites C&E)	Bellway Homes	50	£438	£356,870	Sep-15	Sep-16

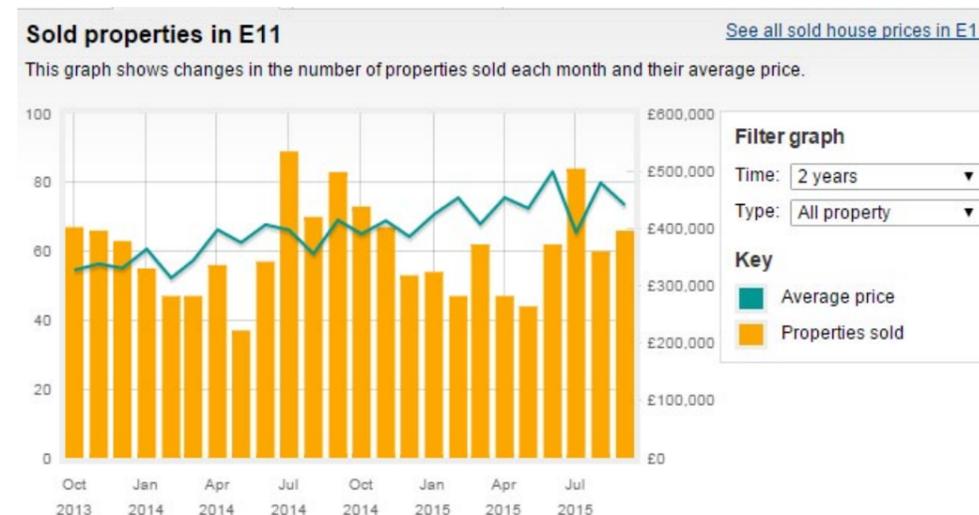
RENTAL VALUES

Rental values within Leytonstone are marginally lower than those for the Borough as a whole, particularly for 1 and 3 bed properties.

Property Type	Leytonstone	Waltham Forest	
	Avg rental value per month	No. of properties available	Avg rental value per month
1 bed	£947	59	£1,049
2 beds	£1,355	74	£1,391
3 beds	£1,646	29	£1,878
4 beds	£2,093	9	£2,175
5 beds	£2,542	7	£2,514

RESIDENTIAL ABSORPTION

The graph below indicates the number of units sold per month in the E11 postcode. While there is some variation in time periods and spikes in sales when flatted schemes are brought to market, the typical sales rate is approximately 60 units per month. This broadly equates to 720 sales per year. A substantial part of this will be sales churn within the existing stock.



RESIDENTIAL LAND VALUES

DCLG has assembled average land values for residential land by local authority area. The following table shows values for LB Waltham Forest and also other neighbouring boroughs. Residential Growth Potential.

Borough	Per Hectare
Waltham Forest	£9,350,000
Redbridge	£8,950,000
Newham	£10,250,000
Hackney	£20,700,000
Haringey	£10,400,000

In terms of future value growth in LB Waltham Forest, and Leytonstone more specifically, three key factors are identified that are likely to continue to drive value growth in the area

- 1) Population growth - Waltham Forest is expected to experience London's sixth highest population growth over the next decade at 12.2%. This will increase demand for housing in the borough.
- 2) Housing Affordability in neighbouring inner London - as housing affordability in London continues to be an issue, particularly in boroughs such as Hackney, first time buyers and investors will increasingly look to more affordable outer London areas such as Waltham Forest, as reflected in recent growth
- 3) Housing Zone Status - LBWF has identified housing delivery as key priority. Investment will therefore be targeted in underused areas such as the Northern Olympic Park, which neighbours Leytonstone. The effects of this investment are likely to filter through into the wider area.

Leytonstone's role as a retail centre has been assessed and quantified through a recent Council commissioned report. This report is still in progress, and is expected to be completed in February 2016; the findings set out below are therefore provisional.

Leytonstone is the second largest retail centre in the borough (in terms of total number of units). It is a designated District Centre, described as having a largely linear shopping area which runs north to south along Leytonstone High Road.

It is assessed as a functional retail centre which performs well against most of the indicators of vitality and viability, however the emerging study recognises that Leytonstone could benefit from some investment, particularly improvements to shop fronts and connectivity.

Tesco is recognised as a strong potential 'anchor', however this needs to be better integrated with the rest of the centre. Matalan, which occupies a large, centrally-located store, contributes little to the wider vitality and viability of the centre.

COMPARISON GOODS

Leytonstone has an estimated comparison goods turnover of £30.9m, and an estimated 6,800 sq m of net comparison goods floorspace. This is equivalent to a sales density of £4,500 per sq m, which is considered to be a strong performance for a district centre.

CONVENIENCE GOODS

Leytonstone district centre achieves a convenience goods turnover of £10.2m from the survey area. As with a number of other centres in the Borough, the local/independent stores in Leytonstone district centre appear to be underperforming, suggesting that investment may be needed to enhance their trading prospects.

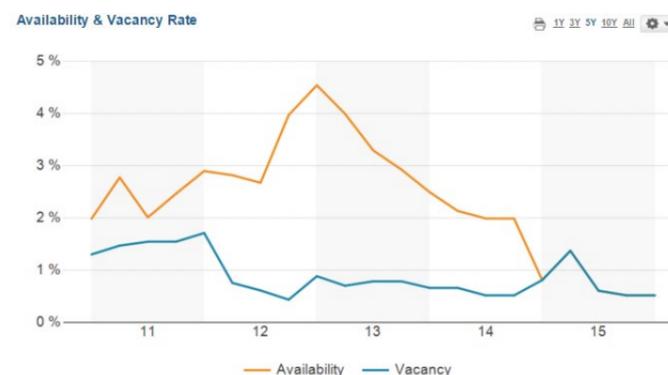
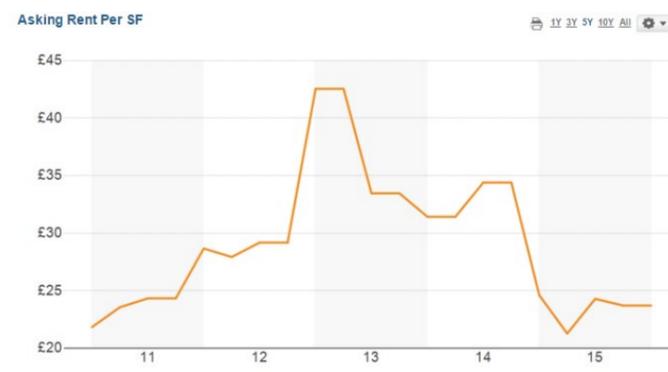
The national retailer-operated foodstores within the centre (Sainsbury's Local and Iceland) are trading marginally above and marginally below company average levels respectively.

Tesco in Leytonstone draws a convenience goods turnover of £50.9m from the survey area, which is estimated to be £9.2m above 'benchmark' levels.

RETAIL MARKET INDICATORS

The following standard industry charts and tables also provide a range of retail value and performance indicators for Leytonstone, sourced from CoStar Suite

Asking rental values have varied significantly since 2011, ranging from a peak of £43psf in H2 2013, to £22.50 in H1 2015. The current average of £23.71 is below the five year average of £28.25. Asking rental values have varied significantly since 2011, ranging from a peak of £43psf in H2 2013, to £22.50 in H1 2015. The current average of £23.71 is below the five year average of £28.25.



Availability	Survey	5-Year Avg
Rent Per SF	£23.71	£28.25
Vacancy Rate	0.5%	0.8%
Vacant SF	1,792	3,154
Availability Rate	0.5%	2.4%
Months on Market	28.9	12.4

The vacancy rate in the Study area is very low, suggesting the retail market is performing strongly. Availability and vacancy rates have both decreased since the peak in 2012, however vacancy rates experienced a sharp increase in H2 2014.

FUTURE RETAIL GROWTH POTENTIAL

Key recommendations from the emerging study for Leytonstone for future development potential include the following: The Council should encourage and facilitate additional foodstore representation in Leytonstone town centre, which will assist in consolidating its role.

The Council should seek to identify opportunities for redevelopment to intensify otherwise low density sites on Leytonstone High Road, including McDonalds and Matalan, both of which may have the opportunity to accommodate a small foodstore operator in addition to other uses.

The Council should continue to invest in the public realm and shop frontages ensuring consistency and uniformity from the underground station through to the High Road. This will assist in linkages and connectivity throughout the centre.

Leytonstone has a strong ethnic food retailing role. This role could form a focus within a wider town centre strategy, helping to define a specific and targeted offer. This in turn could capture trade from further afield, whilst also consolidating a core catchment.

Leytonstone has a reasonably strong performance in the daytime eating/drinking sector, therefore the council should aim to enhance this type daytime provision, in order to encourage visits and dwell time, supporting the daytime economy.

BOROUGH CONTEXT

The economic profile and performance of employment sites in LB Waltham Forest has recently been assessed through an Employment Land Study, produced by GVA. The report is in draft form, however key findings of relevance to Leytonstone are outlined below.

In terms of economic performance Waltham Forest is a low productivity economy. It has consistently had low business growth trends in the past decade, and the business structure is dominated by micro-enterprises (88%) and has low proportion of large employers (0.2%).

The borough relies on the public sector employment with collectively the highest proportion of its jobs being within the health, education and public administration sector. Waltham Forest also shows particular strength in growing advanced manufacturing and low-carbon sectors.

There is also an opportunity to shift this profile as the nature of residents within the borough changes. Leytonstone

In Leytonstone specifically, commercial properties are concentrated in a number of small scale employment sites, many of which are railway arch units. Employment sites include: The Sidings Industrial Estate, Joseph Ray Road, Lancaster Road Arches, Howard Road and Montague Road / Courtney Road Arches

MARKET INDICATORS

Asking rents for offices in Leytonstone have increased significantly over the last 5 years, from £10psf in 2012, to £13psf in 2015.

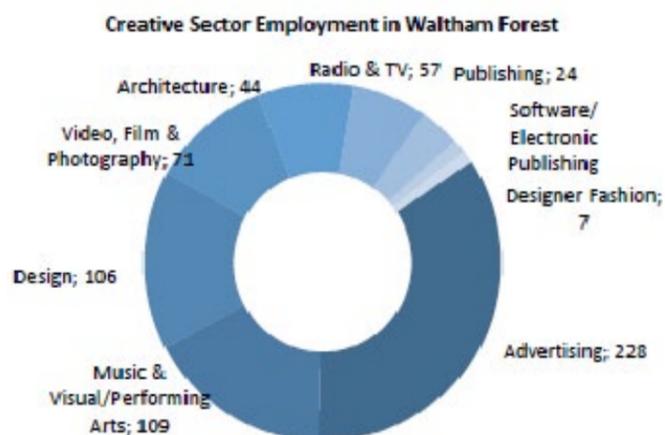
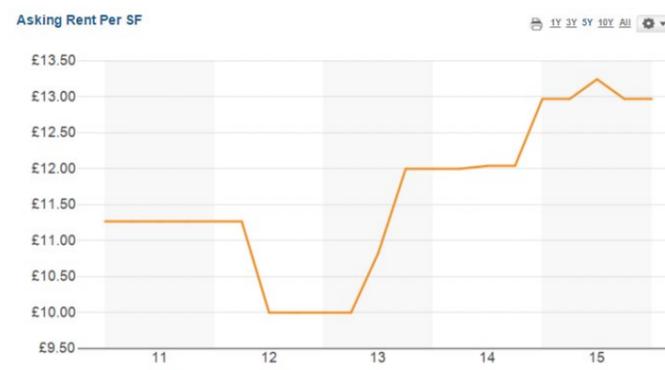
Availability and vacancy rates have not followed a particular trend over the period, which is likely to reflect the low number of office properties in the study area. Vacancy rates however are currently recorded as 0%, whilst availability rates are higher at 4.3%.

FUTURE GROWTH POTENTIAL

Recent trends have shown that population migration patterns across London are bringing new residents to the Waltham Forest who are engaged in a range of professional services and creative industries, potentially providing a new skilled labour pool for local employers and start up businesses.

In the recent years the borough has increasingly seen growing proportion of self-employment which is indicative of entrepreneurial activity in the borough. Although small in scale Waltham Forest also has a creative sector with c. 1.5% of its jobs contributed by this sector. Advertising is the most common sub-sector for creative employment in the Waltham Forest, followed by Music & Visual/Performing Arts and Design

Waltham Forest is likely to benefit from the increasing marked 'squeeze out' due to development pressure on its neighbouring inner London boroughs like Camden, Islington, Tower Hamlets and Hackney, along with a reliable/ direct connectivity to the CAZ, Waltham Forest could draw more business activity given its amenities and lower values.



Based on the above analysis and market indicators it is possible to draw conclusions regarding the viability of new development across use classes on a benchmarked basis. It is also important to note that activity on the ground is also an important indicator of the broad viability position. In addition, representative test cases also provide evidence regarding the current viability position. The following conclusions can be drawn.

RESIDENTIAL

- Leytonstone is part of a broader London housing market, where new development schemes have been delivered under a variety of site and value conditions;
- New homes have been delivered in neighbouring areas of Walthamstow, Stratford and Leyton which sit in the same broad demand and value zone;
- New build residential redevelopment schemes such as Hainault Exchange and the Leyton Police Station have been promoted, secured consent and are now under construction and being brought to the market;
- Per square foot sales values are in the £430 range, which broadly support viability;
- However, scheme by scheme viability will be significantly determined by affordable housing requirements - at this value range and in the current construction cost environment, affordable housing levels secured are likely to be below policy targets.

RETAIL

- Retail rents, yields and values are similar to those found in other outer London locations, and are generally mid-range;
- The retail development industry has faced significant challenges in recent years due to the recession, a shift away from the largest stores in the convenience sector, the rise of internet retailing and the role of a small number of large shopping centres;
- Existing industry rental and value benchmarks do not suggest that Leytonstone should expect proposals for large scale speculative comparison retail or large store convenience retail proposals in the near and medium term;
- There are, however, significant prospects for intensifying the use of existing floor space within existing district centre, reducing vacancies and turnover within existing shop fronts and selectively adding retail space as the residential population and employment catchment grows and new mixed use schemes are delivered;
- In order to assist with and nurture the evolution of the independent retail sector and support a more diverse dining and leisure offer, the Council may wish to play a role in renovating shop fronts and units and offering flexible and short lease terms relating to its own interests.

OFFICE

- Based on the office values identified, which reflect a £10 to £13 psf rental range, it is not considered likely that speculative office development will occur in Leytonstone. Outer London locations typically require rents consistently above £25 psf and closer to £30 psf to justify speculative office developments.
- Waltham Forest has seen a growth in creative industries in recent years, as occupiers have been pushed out of more central London locations. The availability of affordable floorspace, particularly in the railway arches, could make Leytonstone an attractive location for workspace occupiers who are being squeezed out of more central locations.
- There is therefore an opportunity for the council to invest in provision of affordable workspace, as they are doing in other parts of the borough, in order to attract occupiers to Leytonstone.