

APPENDIX 6: MARKET CONTEXT

1.1 Open Market Sale Housing

The private residential offer in Haringey consists of a large percentage of flats, both purpose built and conversions. In the N22 postcode this accounts for approximately 52% of the housing stock, demonstrating the appetite for lateral apartments in Wood Green and the surrounding areas.

The N22 socio-economic breakdown shows 44% of the residents are within managerial positions or within a professional industry. This highlights that there is likely to be a good local market and a draw from the surrounding Haringey postcodes, specifically N10 and N8, in order for purchasers to have the level of household income required to obtain mortgages in line with the pricing strategy.

Haringey has the lowest average housing price per square foot and lowest average weekly income across the London boroughs, with the exception of Barnet, which has a slightly lower average housing price. The growing gap between housing prices and income in neighbouring areas to the south show that some purchasers will be priced out of their immediate area and may choose to migrate north into the more affordable areas.

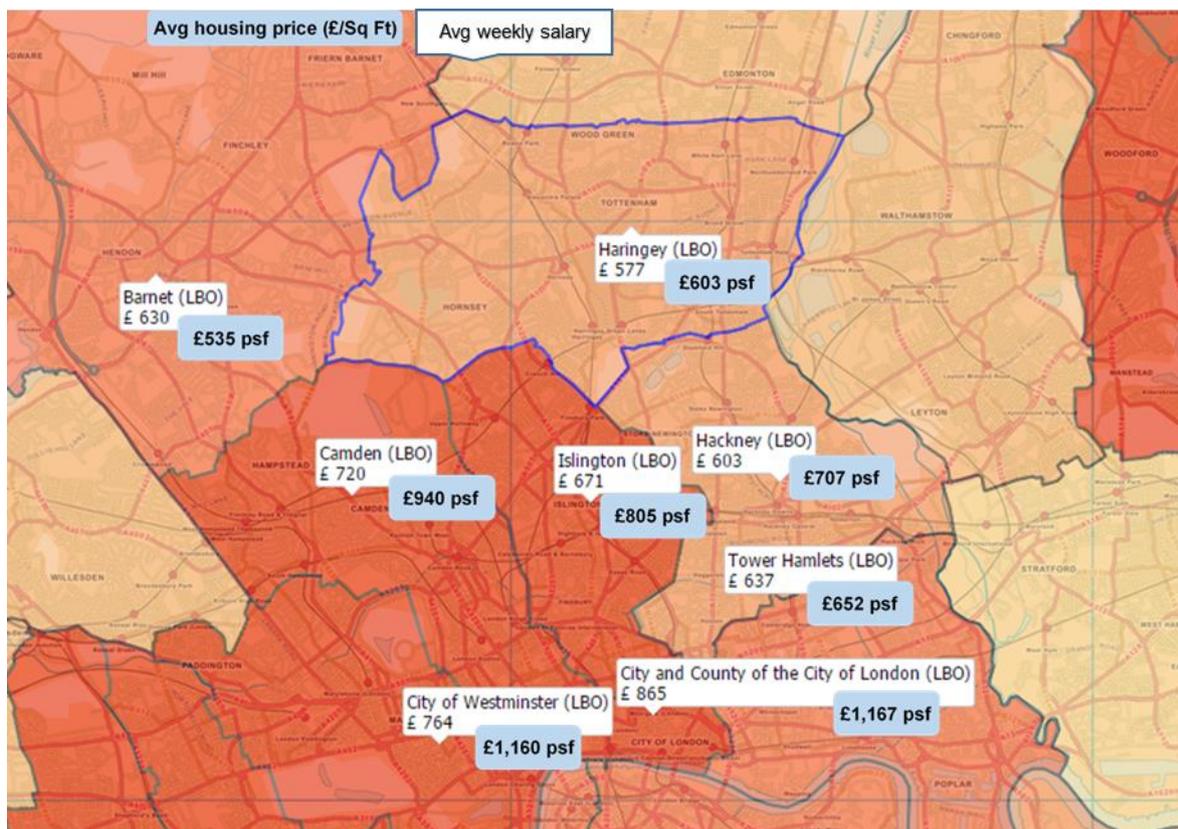


Figure 1: Average Weekly Salary by Borough – Residents currently living in more expensive neighbouring boroughs may look to buy in more affordable Wood Green

With the arrival of the proposed Crossrail 2 connection in Wood Green, the travel time into Central London will be substantially reduced. Based on these new commuting times, Wood Green will also appeal to those currently renting in neighbouring, more expensive boroughs where they cannot afford to buy, such as Islington and Camden. Interest may stretch to more

central boroughs, such as Westminster and possibly the City, as the housing prices in these areas have increased outside of the borough's general affordability based on weekly income.

1.2 Market Commentary – October 2016

Wood Green is currently seen as a more affordable option to living in North London, but still having fantastic transport links to central London. Wood Green sits in the N22 postcode, and over the past 12 months has seen house prices rise by 10.7%. According to Hometrack, only one new build completion has been registered so far in 2016, which can heavily impact growth in the local area, so it is positive that the growth is being seen across the existing N22 stock and amenities.

The outlook for local growth in the area looks positive. It has many factors in its favour such as the introduction of the 24-hr tube, proposed regeneration of the town centre and an affordable price point. Nobody knows the true impact of Britain leaving the EU, but demand is still high for homes below £700psf as it is seen as a lower risk investment for owner-occupiers and investors alike.

1.3 Private Rented Sector

There is strong demand for good quality rental accommodation. This is derived from both the volume of private renters, but also their relatively high level of affluence. There is considerable depth of demand for a higher-end product, and people are willing to pay more for it.

Mosaic demographic data for Wood Green demonstrates that there is already a significant demand of private renters with 34% of the existing population classified as 'Rental Hubs' (educated young people privately renting in urban neighbourhoods).

1.4 Affordable Housing

The Wood Green Area Action Plan notes that Wood Green's population grew by 24% between 2001 and 2011 – the highest rate of population growth in Haringey over this period. In terms of housing growth, it notes that over the same period it saw growth of 17% in new housing compared to only 5% in more affluent areas such as Muswell Hill. While it is harder to project household growth, the following GLA population projections for the ward provide indication of future requirements through population growth. Note that while Wood Green sites are located across the three wards of Noel Park, Woodside and Bounds Green, the town centre is largely located in Noel Park.

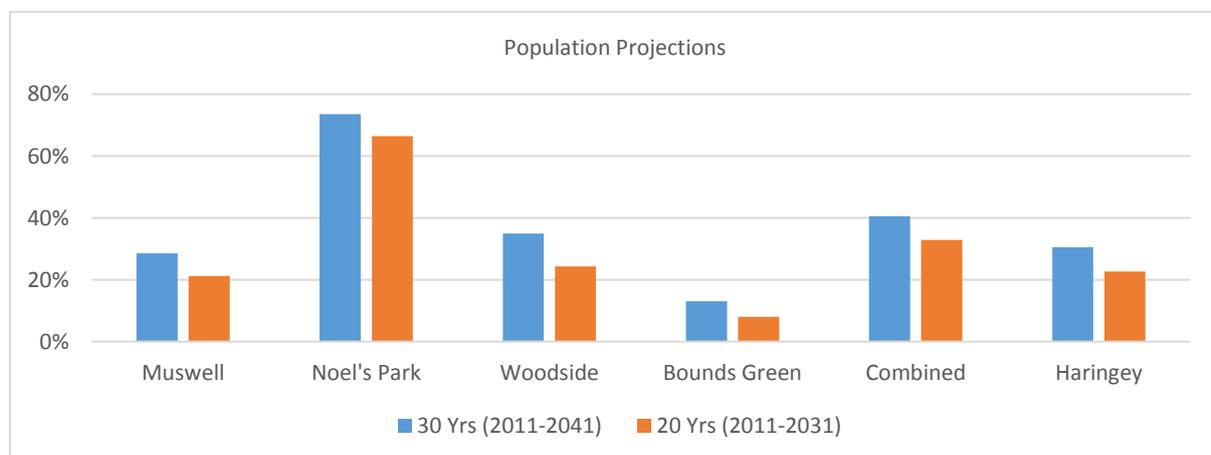


Figure 2: Population projections in Noel Park, Wood Greens main area, outpace the rest of the Borough

The above population projections are based on trend-based data (i.e. on past growth). The density level of population per hectare is demonstrated in the following graph and highlights the town centre characteristics of the Wood Green Area. This higher density built environment may indicate that this location could be more appropriate for smaller sized households as opposed to family homes.

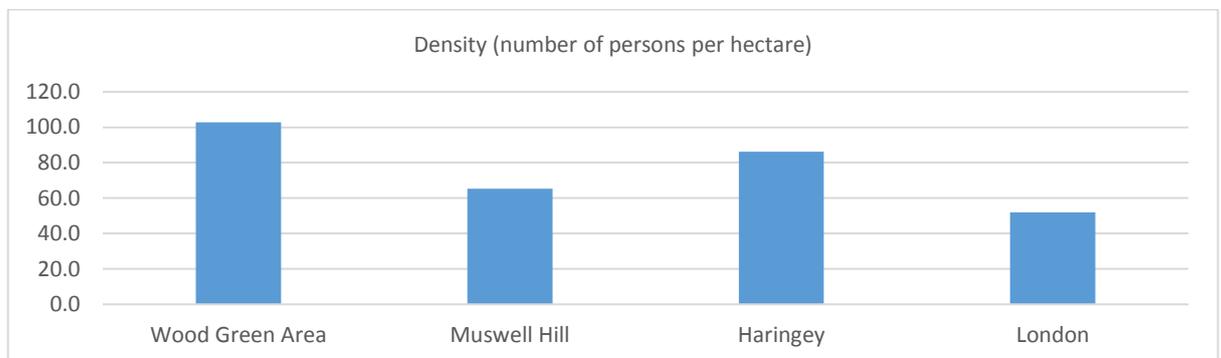


Figure 3: Higher density in Wood Green indicates smaller sized households as opposed to family homes

The Wood Green area has a higher proportion of over-occupation in both the private rented sector and to some degree the social rented sector when compared to all other areas. This would indicate unsatisfactory conditions within both these sectors and also point toward sustained demand for increased housing provision in these sectors.



Figure 4: Wood Green private and social rented sectors have a high proportion of over-occupation

The above indicates the town centre characteristics of Wood Green. Furthermore, it is referred to as a vibrant and busy town centre, as identified in the adopted Haringey’s Spatial Strategy, which recognises that it has an important role to play within the London and North London sub-regional town centre hierarchy.

Any housing offer included in a redeveloped town centre should provide high-density, high-quality housing with a range of tenures addressing diverse income ranges.

By targeting 40% affordable housing, the HDV will give all existing residents opportunities to stay and grow with their community by offering new routes to home ownership and affordable rental options as rates continue to rise in the Greater London area.

A mix of tenures will be brought forward that relate specifically to local needs. Integrating social rent homes which could be used for tenants relocating from from the Northumberland Park estate or elsewhere within Wood Green, will enable speed of decant, minimise

disruption and uncertainty to existing residents and provide an opportunity to create a greater diversity of tenures across the Borough. The approach taken recognises a one-size-fits-all approach to housing delivery will not address the underlying issues and disparities between the sites, nor best respond to the underlying objectives of the HDV.

Central to this approach is to move away from focusing on categorisation of 'affordable' and 'private' tenures and instead to focus on providing homes to 'buy' and 'rent' at a range of affordability – the right split between renting and buying creates the foundations of a housing offer that provides choice, diversity and which is inclusive from the outset whilst enabling the HDV objective to be realised. New homes will be provided at a range of affordability, providing reassurance that they are accessible to a wide range of existing and new households, complementing the wider regeneration objectives whilst also offering an opportunity for the Authority to take a long-term stake, with potential for long-term returns.

The sale element of the housing offer will enable a wide range of homes for sale, offering not only traditional shared ownership homes but potential to include shared equity, starter homes, deposit assistance, help to buy and potential for links to rental homes through rent to save, rent to buy, etc., where these are meaningful locally and add to diversity and choice.

1.5 Commercial Market Analysis

1.5.1 Employment Dynamics

Key private sector employers in Haringey vary between different business sectors and currently there is notably a new cluster developing accommodating the creative industry. There are several notable private sector employers in Wood Green which is the location of Sanctuary Housing HQ, Traid HQ, a significant office for William Hill PLC and the Electoral Reform Centre.

1.5.2 Importance of Connectivity

Transport infrastructure is one of the most critical considerations when creating a new business destination. The extent and quality of the proposed transport linkages will be vital in shaping the future growth of Wood Green.

Enhanced connectivity is critical for ensuring that potential occupiers will locate to the area, with workforces likely to access the schemes via rail, bus or cycle routes. Wood Green has good public transport with the underground Piccadilly Line, which services the City and West End, resulting in the highest PTAL rating of 6a. The 2013 plan found that two-thirds of Haringey residents commute to work outside the borough.

Larger-scale schemes, such as Crossrail 2, are key longer-term drivers of growth. The proposed Crossrail 2 line will dramatically reduce the travel time into Central London, providing vital additional capacity to support growth and regeneration. This improved connectivity and accessibility will provide a substantial catalyst to supporting occupiers into the area. The ability of Wood Green to address the ease of movement for both individuals and businesses will have an effect on the ability to attract and retain the people who will drive future success in a fast-changing and more urban North London landscape. The impact on travel times from Crossrail 2 is illustrated below.

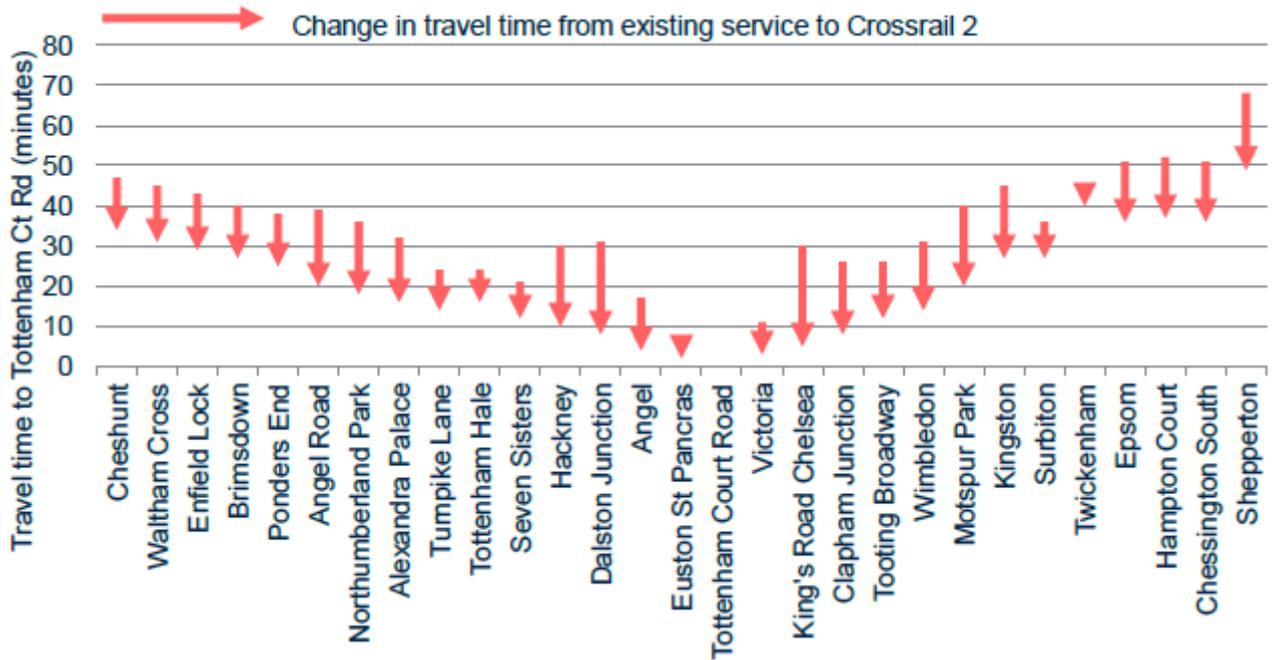


Figure 5: Impact of Crossrail 2 on travel time. Source: London First and Savills

1.5.3 Local market: Demand

As available stock has decreased across London, occupiers have become increasingly footloose in their search for new offices. A decade ago tenants were highly specific on what part of central London they wished to be in. Now, the majority of requirements are for central London as a whole. Moreover, tenants are increasingly prepared to move from traditional locations in search of more affordable office accommodation.

The top four motivators for companies considering relocation to a new sub-market are:

1. Public transport accessibility;
2. Property cost;
3. Potential for business clustering; and
4. Quality of supporting retail and leisure amenities.

The evolution of London's infrastructure means that for many workers and employers a move to non-core commercial locations is now viable.

1.5.4 Office Take-up

Despite a reasonably robust level of transactions in the wider North London market, historically, the proportion of activity within Haringey has been very low. For example, take-up in Haringey in 2015 was only 9,055 square feet, which equates to less than 1% of the North London provisions and was entirely a freehold sale to Action For Kids Charitable Trust, which purchased 20 Cranfield Way. The largest deal in Haringey on record since 2000 was the Authority leasing 32,791 square feet at 48-62 Station Road in Wood Green.

Savills research estimates that there was only one deal (in excess of 5,000 square feet) in Haringey last year, which was slightly below the average of the last 10 years of three deals per year.

The current office stock is dominated by second-hand accommodation that doesn't meet the modern day 'Grade A' requirements of occupiers. This often includes raised floors, carpeting, ceiling void, suspended ceiling, LG7 lighting, VAV/VRF air conditioning, double-glazed windows, lifts, WC, kitchen, cycle and car parking. Second-hand space has accounted for 97% of square feet transacted since 2000, and there currently is no Grade A building on the market. This trend has been echoed across north London markets. The investment into Haringey has the ability to improve these characteristics in Wood Green.

The success of The Chocolate Factory and Green Rooms illustrate the demand for flexible affordable workspace and residence accommodation from the artists, film and multi media sectors. Building 1 and Building 2 within The Chocolate Factory totals 186,000 sq ft and provides workspace for approx. 200 artists and 500 people.

By targeting the arts and innovation sector for the Block A, Wood Green will be able to build on its reputation as a new cluster destination for the creative industry.

1.5.4.1 Supply

The existing level of supply in Haringey is notably low and may not meet the sophisticated needs of modern occupiers with a preference for Grade A stock. For example, there is approximately only 12,606 square feet of Grade B and C stock currently available in Haringey.

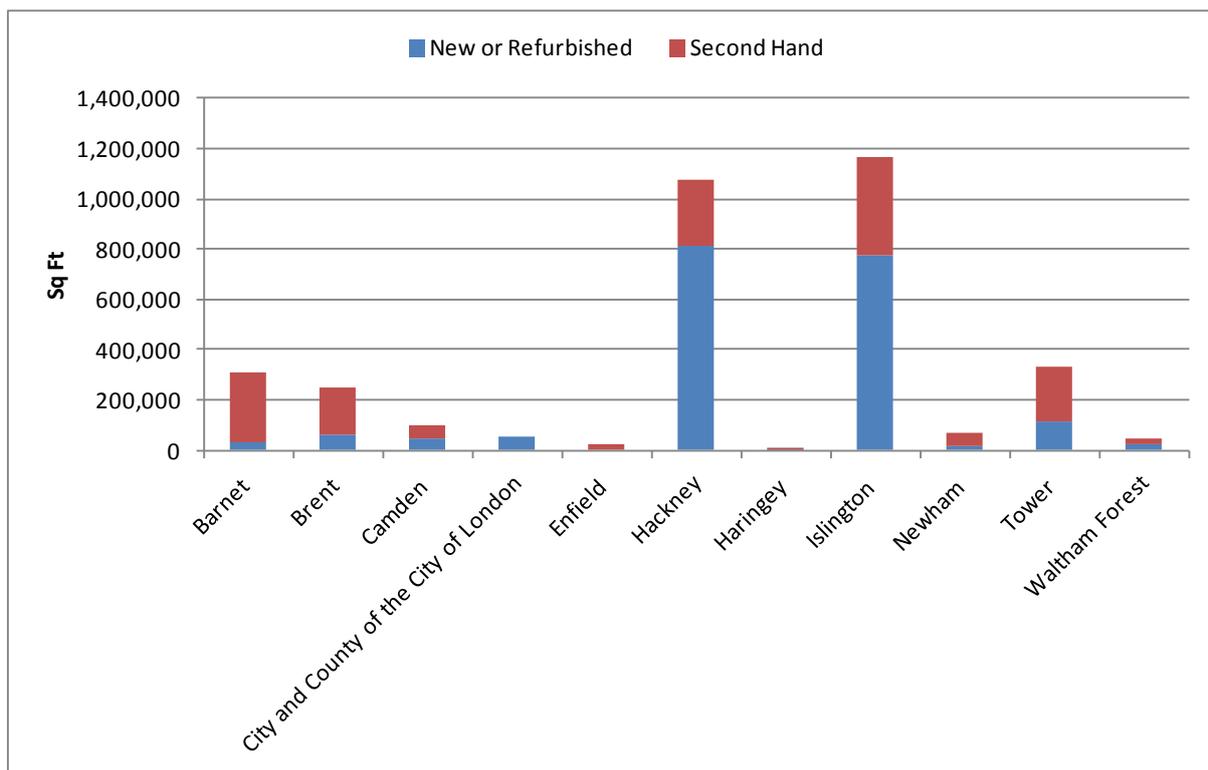


Figure 6: Supply by Grade. Source: Savills Research and CoStar

The supply is not suitable to accommodate the needs of the modern occupier and the tired office accommodation has served to suppress rental levels. The continued tightening of availability in the fringe of Central London, together with a comprehensive regeneration, will be key to achieving a change in attitude towards Wood Green. The creation of a truly mixed-use environment such as that proposed will only add to this market and increase the ability to attract higher quality office occupiers.

1.6 Retail Market Analysis

1.6.1 Retail Context

Wood Green has become an often-overlooked inner M25 retail destination, which belies its position in many established retail destination rankings. In respect of shopper catchment size, size of principle covered shopping centre and Trevor Wood Research's more subjective retail provision score, Wood Green has long featured well into the top 100 destinations.

Wood Green benefits from a small number of good quality fashion brands such as Next, River Island and H&M, but the retail mix is dominated by lower- to mid-market brands. There is also a higher proportion of local (often poor quality) retailers occupying more prime premises than in many towns ranked in the 50-100 bracket. This is not conducive to strong financial performance by the national retailers and the town will see a significant leakage of retail custom as a result of the narrow mix of occupiers.

Sentiment towards Wood Green is typified by Marks & Spencer's decision to close their store, a 77-year fixture on the High Road, in late 2015 due to poor trading. This was one of only three full-line stores closed by the retailer last year. The property comprising approximately 90,000 square feet is held on a long leasehold basis by the tenant and remains on the market.

1.6.2 Rental Tone

During a period of economic uncertainty, Wood Green has not lost place within the above rankings, albeit the prime rental tone has fluctuated somewhat and void levels are comparatively high in comparison to shopping locations such as Shepherds Bush, Sutton, Richmond and Wimbledon, which offer a similar retail mass. The credit crunch-led rental fall of some 20% has, however, now been recovered and prime rental levels appear in line with previous highs from 2007 at £130-135 ITZA.

This recovery in the rental tone is similar to that seen in a cross-section of inner M25 retail locations, albeit the initial fall may have been somewhat greater. Comparative rental levels across similarly sized retail centres within the M25 over the last 10 years are shown below.

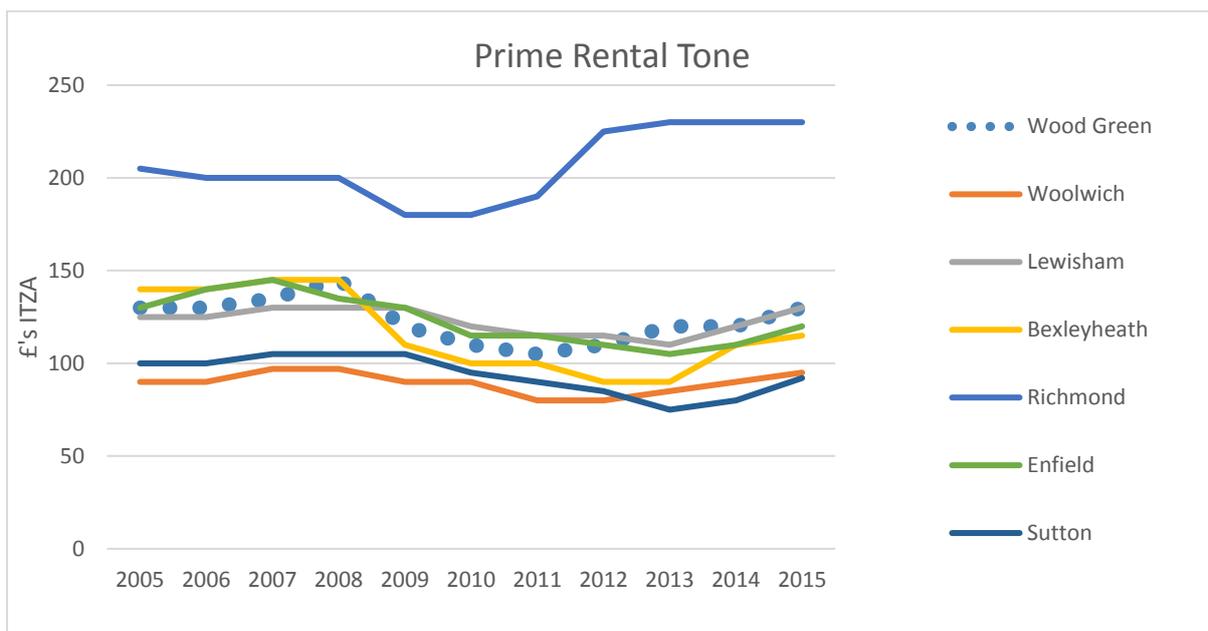


Figure 7: Wood Green prime rental tone is in line with similarly sized retail centres

There were a number of transactions to local multiple tenants such as Charlotte Reid and Palace Amusements in early 2016, which suggest the return to a tone of £130 ITZA but, somewhat more reliably, Bank of Scotland agreed their May 2016 rent review on larger premises at a similar level.

Whilst rental levels have recovered, the town has seen no evolution of its retail offer, which can be partially attributed to the High Road's substantial levels of vehicular traffic, the lack of a town centre focal point and a highly linear retail pitch with no distinct 'prime' pitch.

In respect of restaurant rents, the market has seen very little activity. On Hollywood Green, after the failure of the Yates and Chicago Rock Café brands, there was no demand from A3 or A4 operators in either premises at this time and both units were let to A1 occupiers. Rent reviews have since been concluded on the McDonald's and Nando's premises in December 2009 and December 2014, with nil uplifts being achieved from the £26 psf and £20 psf passing rental levels.

Although there are no comparable new food and beverage lettings in the immediate area, recent comparable deals in Walthamstow, Muswell Hill and Barnet set the upper limit for expectations at £25-27.50 psf for the current environment, which is suppressed by poor quality accommodation. Post development it is expected that the tone could increase to c£32 psf, with rental levels as high as £35-40 psf achievable in the higher footfall locations.

1.6.3 Retailer Requirements

Local comparable shopping locations such as Walthamstow, Edmonton Green and Enfield have had significant inward investment over the last 10+ years, which has seen them promoted in the shopper hierarchy alongside less mainstream locations such as Muswell Hill and both West and East Finchley. These improvements have combined to the detriment of the Wood Green shopping environment.

This is evidenced by analysis available from shopproperty.co.uk, which collates retailer requirement data. At the date of this report, Wood Green had six stated requirements compared to Walthamstow's eight and Enfield and Muswell Hill, with 21 and 20 live occupier requirements respectively. It is particularly worthy of note that none of the stated requirements for Wood Green were national restaurant brands when that market is currently particularly buoyant. This is in stark contrast with Enfield, for example, which has identified requirements from Miller & Carter, Five Guys, Frankie & Benny's and Chiquito's.

1.6.4 A Failing Town Centre

The lack of retailer demand can be attributed to Wood Green no longer fulfilling the full range of requirements of a 'town centre', where a shopper's experience, rather than simply utilitarian need, is now a fundamental aspect of the shopping process. The 'experiential' element of a visit relies upon activities ancillary to the shopping use of an environment such as restaurants, coffee shops and bars alongside the quality and variety of the built environment.

Wood Green has a complete absence of areas in which the shopper, commuter or resident consumer can step away from the busy street and enjoy the town centre at a more relaxed pace in a managed built environment. Further, the purely functional High Road provides a limited all-day catering offer as evidenced by EGi and Experian Goad analysis showing an under-representation of restaurants and bars at 93% of the average compared to Walthamstow at 188%, Muswell Hill at 139% and Enfield (also beneath the average, but somewhat better than Wood Green) at 97%.