

Joining the EastEnders

The success of the Olympic Games has turned the spotlight of the world on to East London, one of the most socially and economically diverse areas of the UK. There are opportunities for private sector landlords at all levels of the market in this fast growing and rewarding region – but as always, research and patience are essential.

It is hard to believe that little more than a year ago our ideas of East London were dominated by rioting youths and burning buildings. The London 2012 Olympic and Paralympic Games have highlighted on the world stage what is one of the most dynamic and colourful parts of the country, with a community feeling that is hard to find in other parts of the capital.

While social problems remain, and the Olympic glow will soon fade, East London's fast growing and very international population means that the PRS is playing an ever increasing part in meeting the community's housing needs.

"East London has a new face," says Leonna Potter, Branch Manager at local estate agents Oliver Jaques. "Regeneration has improved living in East London immensely."

"East London is definitely a place to invest in, if compared to other parts of the city," says Property Manager Kazi Arif at Prime Estate Agents of Whitechapel. "It is a new and accessible business and residential area that is already undergoing major changes, and the Olympics is just the beginning. This consistent development is a great indicator of the potential the area has."

The legacy of the Olympic Games will be debated for years, but on the ground in East London, the improved transport links, parks, infrastructure, shopping and sporting facilities have led to a very real resurgence in the property market, as new businesses set up shop, universities expand, and families and students come here from all over the UK and beyond.

Investment hotspots

East London comprises eight Local Authorities: Barking and Dagenham, City of London, Hackney, Havering, Newham, Redbridge, Tower Hamlets and Waltham Forest. The parts of East London with the highest potential for

BTL returns are traditionally seen as Bow, Shoreditch and Hackney, which are all close to the City and to the fast growing "Silicon Roundabout" and East London Tech City.

"Hackney and Dalston have become especially fashionable and rents have rocketed in these areas," says Richard Blanco, the NLA Local Representative, who has properties in Hackney, Newham, Waltham Forest, Walthamstow and Lewisham.

In the last few years, these regions have all become homes to aspirational workers in financial services, media and technology. The former Bryant and May match factory has been transformed into the so-called Bow Quarter, perhaps the most sought after accommodation in the region.

In less trendy areas, public sector support is readily available to landlords. Boroughs such as Waltham Forest have been very active with renovation grants of up to £10,000 to bring properties back into use.

Student potential

At the same time, there has been an influx of university facilities into the area that is driving demand at the student end of the market, with a new sixth form college being constructed in Stratford, the University of East London expanding in the Docklands, and University College exploring the establishment of a new campus in Newham, in the Greater Carpenters Neighbourhood east of the Olympic Park.

As central London living becomes too expensive for today's cash-strapped students, it is fair to say that the centre of gravity for academic life in London is moving east. That's good news for landlords, as properties here are cheaper, offering the prospect of capital growth as well as high yields from the student market.

Student demand is especially strong in Whitechapel, Stepney and Bethnal Green, which are all close to the Mile End campus of Queen

Mary, University of London. Rental incomes are lower in areas such as Manor Park, Leytonstone, Forest Gate and Plaistow, where students from the University of East London often choose to live. The central areas of Mile End and Stratford areas are also popular.

Stratford, home to the Stratford City and East Village projects and Westfield Shopping Centre, is clearly the centrepiece of the regeneration drive, and is a land of opportunity for landlords interested in the student, family and young professional markets.

"Due to the major reconstruction works Stratford was going through before the Games, it became one of the most modern and desired areas to live in," Kazi Arif says. "Westfield has also had a significant influence in making Stratford even more vibrant and a business-friendly place for potential investors."

However, Leona Potter sounds a word of caution. "With so much property being built in Stratford, rental prices will need to be competitive in order to get them all let at the same time," she told *UK Landlord*. "Eventually the best housing complexes will be able to charge a premium when the availability is more staggered, but initially landlords may struggle to get the correct return rental on the purchase price. There are a lot of new businesses moving



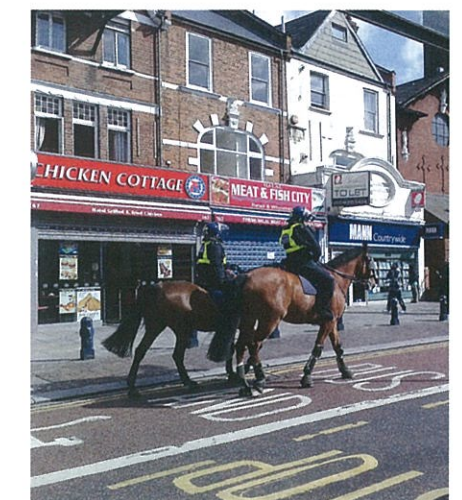
into Stratford but it may take up to five years before Stratford is running at its full potential. New builds become old builds very quickly in an area subject to as much regeneration as Stratford.

We will definitely start to see an influx of people due to all the new businesses, but there is such a thing as overkill! It's important to speak to the local agents and get a realistic figure of the rental income before buying offplan."

A word of caution

The NLA's Richard Blanco also warns of a saturation in the lettings market around the Stratford Olympic development area. And he adds, "There are a few demons on the horizon, most notably Article 4 directions which are already in place in Barking and Dagenham and are due to come into effect in Newham shortly. This will mean that properties of three bedrooms or more can only be occupied by families and not sharers, putting a serious dampener on renting in these boroughs, with a concern that neighbouring boroughs will follow suit. We urgently need action from central government to stop this type of discrimination by local authorities at a time when LHA changes have put the greatest ever demand on shared housing." Prices in East London vary widely, but are currently in the £180-£250,000 range for a 1-bedroom flat, £280-400,000 for a 2-bedroom flat and £350-£500,000 for a 3-bedroom

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house. Most HMOs in the area are former local authority properties and can be obtained for anywhere between £320,000 and £450,000.

"Now is a great time to buy at auction," Richard Blanco says. "Outer East London is one of the few parts of London where you can still buy houses below the all-important £250,000 stamp duty threshold, but you have to take a punt on whether there will be a ripple effect from the Olympics to areas of Newham and boroughs such as Waltham Forest and Redbridge."

"It is definitely worth buying the former Olympic properties as they were built keeping the highest standards, and that is what inspires confidence about their quality and durability," Kazi Arif says. "However, investors should keep in mind that it is really hard to make a profit on re-selling those properties if it is a high rise, so this is a long-term investment." As always, caution is the watchword. Letting agents warn that many landlords were disappointed by Olympic short lets, when there were more properties available in the market than was justified by demand.

"Prices were over-inflated in the period prior to the Olympics. They will, however, drop, as has happened in Beijing and other Olympic cities, after the hype of the Olympics is gone," Mr Arif says. "In Stratford, for example, properties will lose at least 15% of their value within the next 6 months. The best policy when investing here would be patience." ■



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