

# HARLOW HOUSING MARKET REPORT



Strawberry Star  
RESEARCH



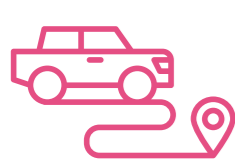
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# HARLOW AT A GLANCE

## Why invest in Harlow



Excellent transport connectivity to London in 30 minutes, Stansted International Airport in 17 minutes and Cambridge in 40 minutes.



Located within the UK's (London-Stansted-Cambridge) innovation corridor, an economically significant business, science and technological growth region.



Strong capital growth - 132% increase in the average price paid for a new build home in the 10-years to 2017.



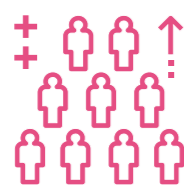
Attractive investment rental yield of between 5%-6%.



Harlow House prices to rise by 20% by 2023. [CBRE 2018 report]



Average annual rental growth of 3.6% or 18% between 2019 and 2023.



Strong demand for housing fuelled by projected population growth of 22% by 2039 and shortage of housing supply.



1.5 times cheaper average house prices compared to neighbouring Epping Forrest and Broxbourne, which are within 3 miles and on the same travel journey to London.



Over 44% of those who moved to Harlow in 2017, were Londoners.



Government-led regeneration and the Harlow Enterprise Zone will create an increased employment cluster with associated population growth, propelling demand for housing.

# ABOUT HARLOW

Harlow sits within an attractive area of the Essex and Hertfordshire countryside on the River Stort. The town provides a mix of housing and the Enterprise Zone. The town has a strong business base and is already a sub-regional employment centre. The town is home to well-known businesses, such as Pitney Bowes and Pearson, Raytheon and GSK and today provides over 25,000 jobs.

Harlow is well located at the centre of the popular life sciences, manufacturing and medical technology cluster in the UK's Innovation Corridor (London-Stansted-Cambridge), a growth region, that provides a catchment of 3.3million people within an approximate one-hour journey of Harlow. This population is set to grow by 20% by 2032. The business base is growing with a 2.2% increase between 2008 and 2010, despite a global recession.





# ABOUT THE SCHEME

## The Harvey Centre

The Harvey Centre is a residential mixed use development by Strawberry Star Homes, located within 6 minutes' drive to Harlow Town Train Station.

The scheme has an existing planning consent to create 447 residential apartments within a net floor area of over 303,000 square feet and over 43,000 square feet of commercial space.

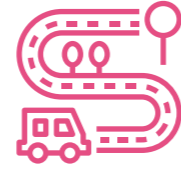
This redevelopment opportunity is part of the Harvey Shopping Centre from Broad Walk to West Gate and East Gate providing connectivity through to the rest of the town.

The scheme is expected to create London style living at the heart of Harlow and will comprise:



Parking spaces, cycle bays and open space

- 24 hr concierge service
- Video entry to all residential blocks
- CCTV
- High street retail units
- Restaurants and bars
- Shared working spaces (potentially)
- Private roof & courtyard gardens for residents, with events such as yoga, outdoor cinema, social nights, etc.



New routes through the town centre

- Secure children's playspace
- Managed ground floor public realm
- Energy efficient apartments
- 'All-electric' scheme, supporting the principles of renewable energy and government policies to decarbonise energy sources
- LED lighting



A mix of different types of homes

- Studio to family-sized apartments
- Private balconies (on selected units)
- All flats to have open-plan layout, maximising useable space and the potential to create a home office
- Sprinklers throughout

This will bring regeneration benefits to the town centre like quality housing, employment opportunities, modernisation together with road and transport improvements.

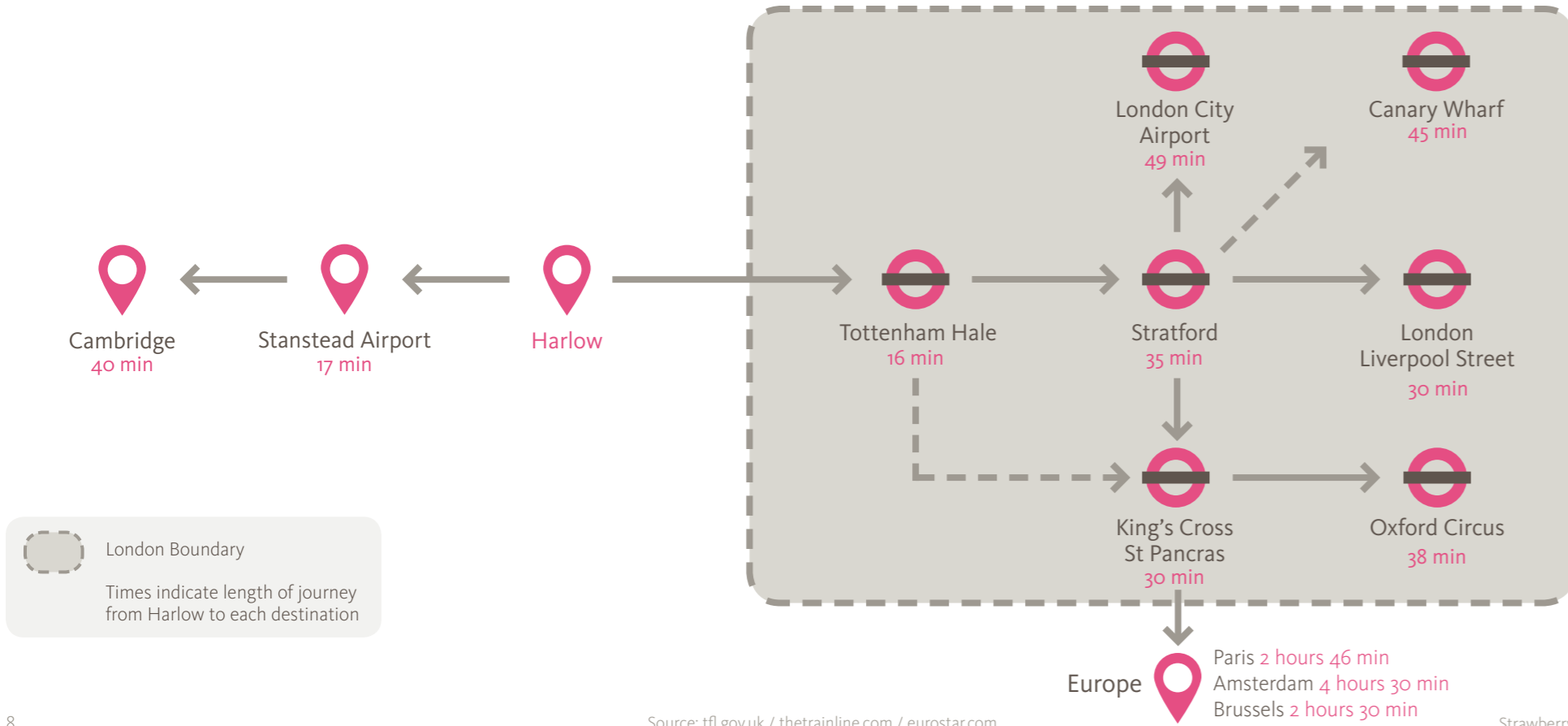
The Harvey Shopping Centre has significant footfall due to the presence of major high street retail brands, banks, bars and restaurants such as Cineworld, Starbucks, Holland and Barrett, Peacocks, Nationwide, Papa's Café, and F. Hinds along with a 30,000 square feet gym run by Exercise 4 Less.





# TRANSPORT AND CONNECTIVITY

- Harlow is well connected with easy road access to the M11 and M25 motorways.
- Served by two mainline stations providing a direct commute to London Liverpool Street in 30 minutes, Stansted Airport in 17 minutes and 40 minutes to Cambridge. Central London is within 45 minutes through the London Underground connection at Tottenham Hale.
- There are also frequent buses from Harlow to nearby towns and into London.



# HEALTH

Princess Alexandra Hospital NHS employs over 3,000 staff making it the largest employer in Harlow and is located just two minutes away from the Harvey Centre site. This is a great opportunity both for future residents and investors.

There is a plan to build a new general hospital in Harlow, which will cost about £400 million with estimated completion in 2024.



# SCHOOLS

Harlow has many day nurseries and maintained nurseries, infant, junior and primary schools, secondary and high schools, and even supplementary schools.

Some of the well-known schools and their distance from the site are:

Burnt Mill Academy	Mark Hall Academy	Passmores Academy
1 mile Outstanding	2 miles Good	3 miles Good
St Marks's Essex Catholic School	Stewards Academy	Harlow College
1 mile Good	2 miles Good	3 miles Good

Figure 1: Top Schools

# PLANNED INFRASTRUCTURAL INVESTMENTS

## Harlow Enterprise Zone

Harlow Enterprise Zone is strategically located between London and Cambridge, with its proximity to London Stansted Airport, making it a premier business location and one of 45 locations across the country, designated by the UK Government, to provide incentives for investment.

1. The zone provides these specific opportunities:

- London Road South (Kao Park): 20,000 square metres of 'Grade A' office space; largest Data Centre development with full planning consent and currently under construction.
- London Road North will house a new Harlow Science Park - 14-hectare greenfield site available for design and build opportunities with a focus on the Med Tech, Life Science and ICT sectors.
- Templefields: existing industrial estate offering SME manufacturing space and longer-term re-development opportunities.
- Potential to create up to 5,000 new jobs leading to increased demand for homes.
- Anglia Ruskin MedTech Campus - one of the world's largest health innovation spaces for companies of all sizes - from start-ups and micro SMEs to large corporates. The project is a partnership between Chelmsford City Council, Harlow Council, Southend-on-Sea Borough Council and Anglia Ruskin University, which has the potential to create 12,500 new jobs by 2033.
- The relocation of Public Health England's headquarters to Harlow and the development of public health science campus – a £400 million investment that will lead to the movement of over 2,750 staff to the new headquarters by 2024 beginning with a phased relocation from 2021 and the creation of a science hub in Harlow.



2. The development of a new motorway junction (junction 7a) on the M11, which will provide faster access in less than 5 minutes to the motorway from the Enterprise Zone. This is due to complete by 2020.

3. Harlow and Gilston Garden Town – a proposed plan to build about 16,000 new homes around Harlow by 2033. This is a joint partnership between Harlow Council, East Herts, Epping Forest and the counties of Essex and Hertfordshire.

4. Regeneration of the town centre by Harlow Council.

5. Planned expansion of London Stansted Airport to include the development of a £130 million arrival building. The airport supports over 24 million passengers annually, including flights to USA and other popular international destinations in the Middle East, Europe, and Africa.

6. Proposal for the Crossrail 2 northern terminus to terminate at Harlow, which will bring substantial economic and housing growth to the town.

# EMPLOYMENT AND ECONOMY

Harlow has a strong local economy supported by over 50,000 jobs and over 10,000 new jobs through regeneration projects such as the Harlow Enterprise Zone. The increased prospect for more jobs in Harlow will create opportunities for investment in housing as demand rises.

Figure 2 shows that there is more scope for London commuters to move to Harlow due to cheaper house prices and relatively shorter journey times to central London.

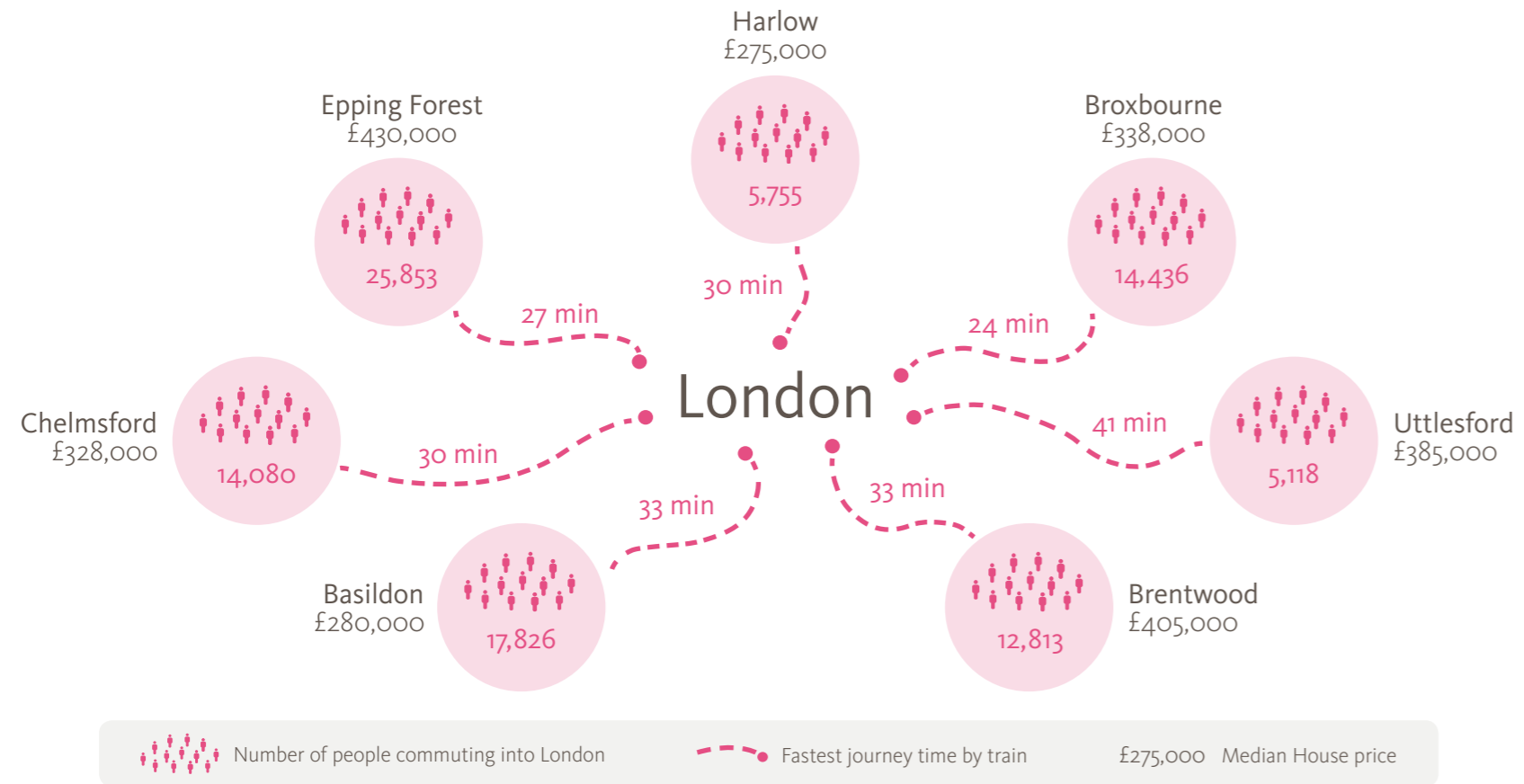


Figure 2: Commuting to London from Harlow and near-by towns  
 Source: Strawberry Star / ONS Census 2011/ tfl.gov.uk / thetrainline.com

Strawberry Star Research

The presence of large companies and the growing number moving to Harlow will continue to support the increasing demand for housing. Apart from the Princess Alexandra Hospital, other big employers in Harlow include Pearson, Raytheon UK, SCCI Alphatrack, GSK, Robust IT, Pitney Bowes, Teva Pharmaceuticals and Arrow Electronics.

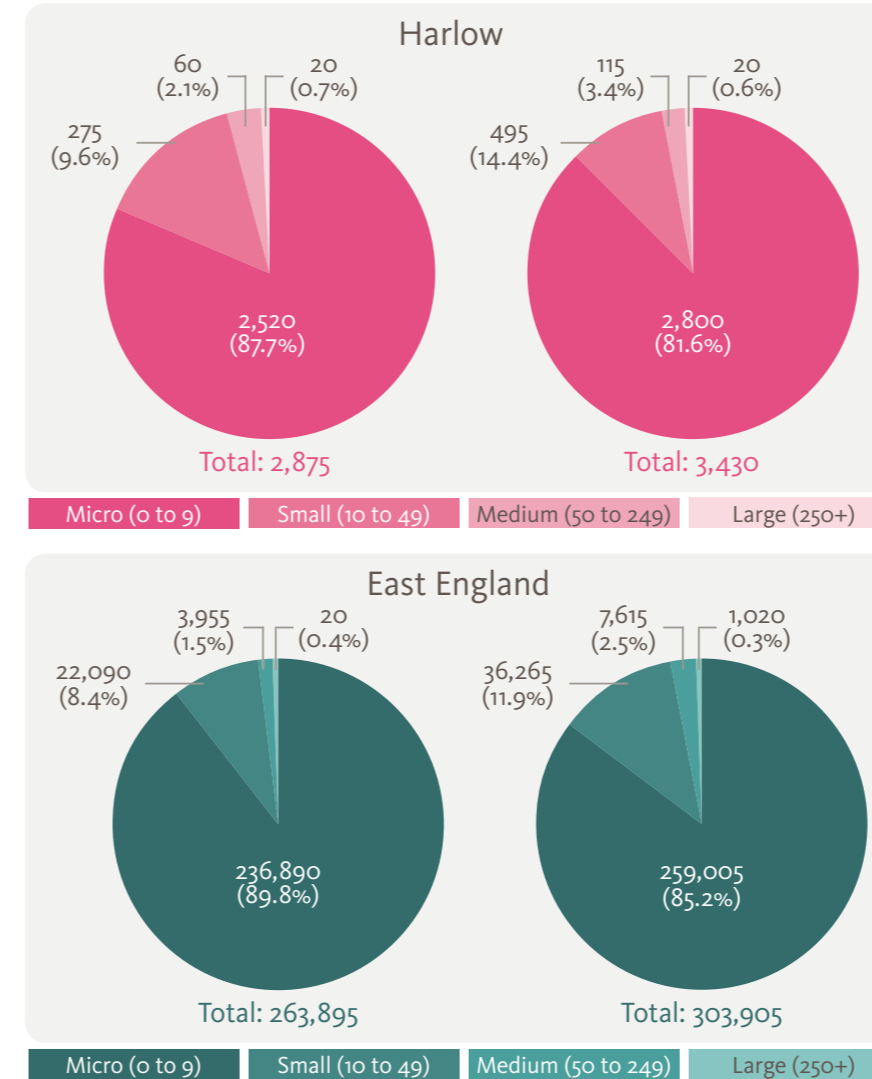


Figure 3 - UK Business Counts (2018)  
 Source: Inter Departmental Business Register (ONS)

Harlow Housing Market Report

With a higher active population and a better job density ratio, Harlow has a relatively better economic contribution and outlook than the East of England average.

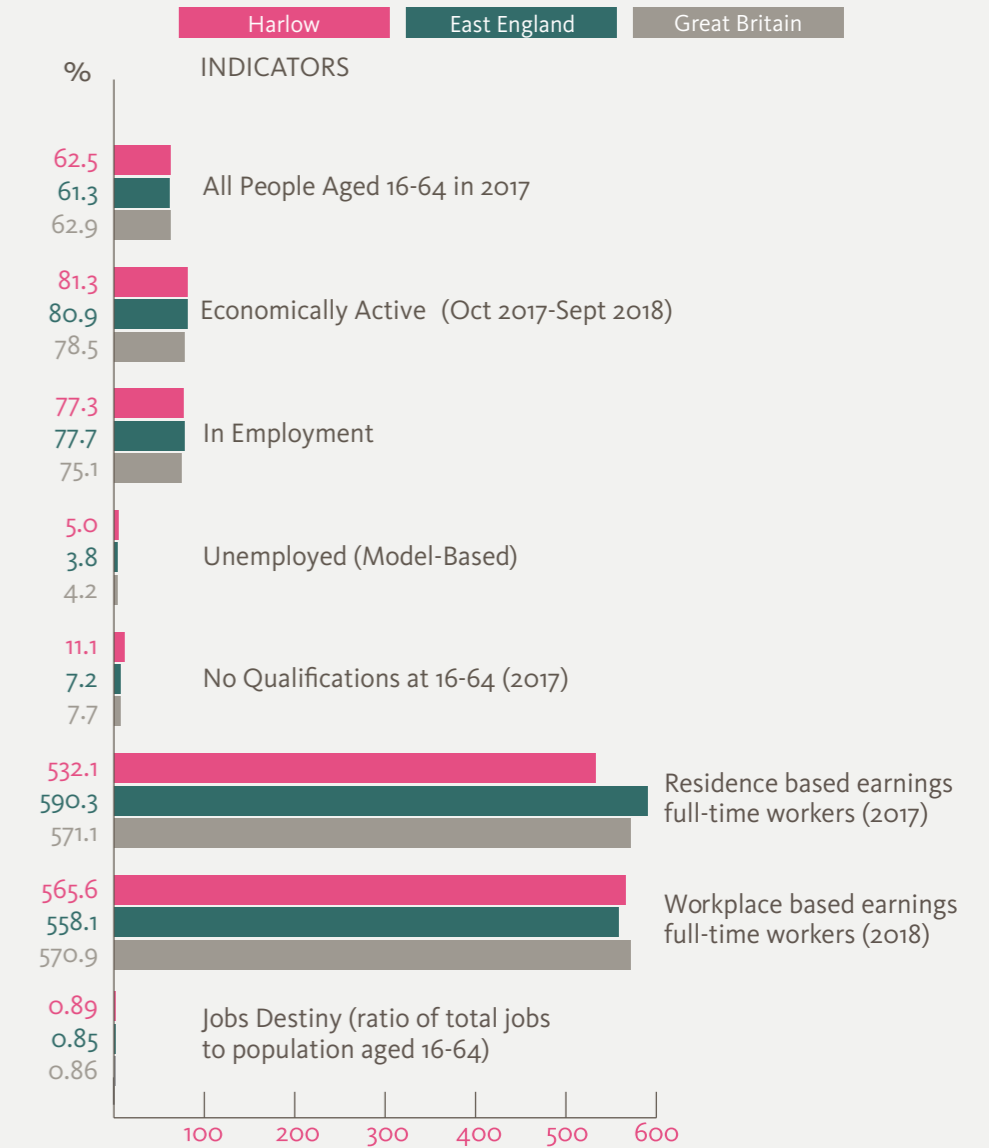


Figure 4: Other Economic Indicators  
 Source: Strawberry Star using data from ONS and The Centre for Cities

# HOUSE OWNERSHIP AND AFFORDABILITY

Based on the median house price data from the ONS, Harlow house prices increased by 337% in the 20 years to December 2017, 57% in the 5 years to 2017 and 8% between 2016 and 2017, which is significantly more than the nearby towns and England. With relatively lower median gross annual earnings (residence based), and lower house price-to-earnings ratio, Harlow residents are able to afford a new home in Harlow despite the higher house price growth.

The average house price in Harlow is now up to 11 times the average earnings compared to 2007, when it was more affordable than England, reflecting the increased demand from Londoners and those from less affordable neighbouring towns. The average house price (£275,000) and house price-to-earnings multiple in Harlow is significantly below London, South East England and the neighbouring towns in West Essex and East Hertfordshire. This shows that the market is less saturated with good scope for capital appreciation.

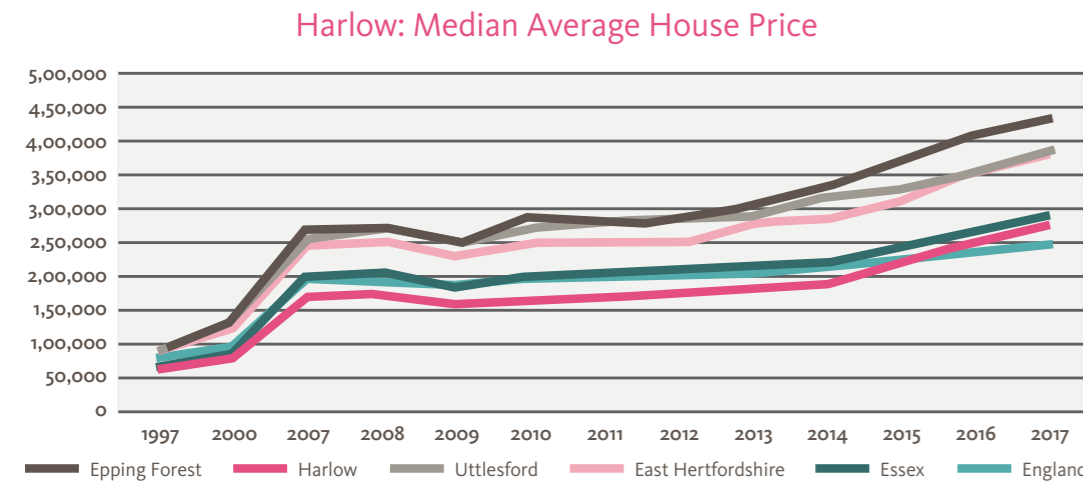


Figure 5: Median house prices  
Source: Strawberry Star / ONS

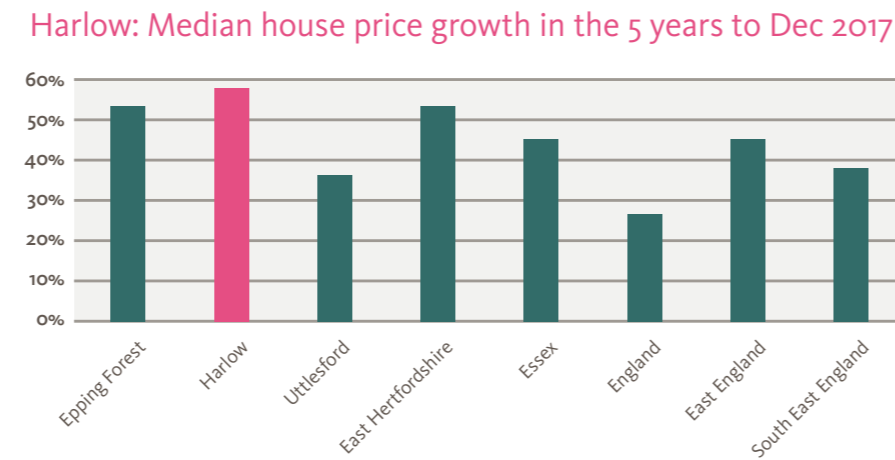


Figure 6: Median house price growth to December 2017  
Source: Strawberry Star / Land Registry / ONS

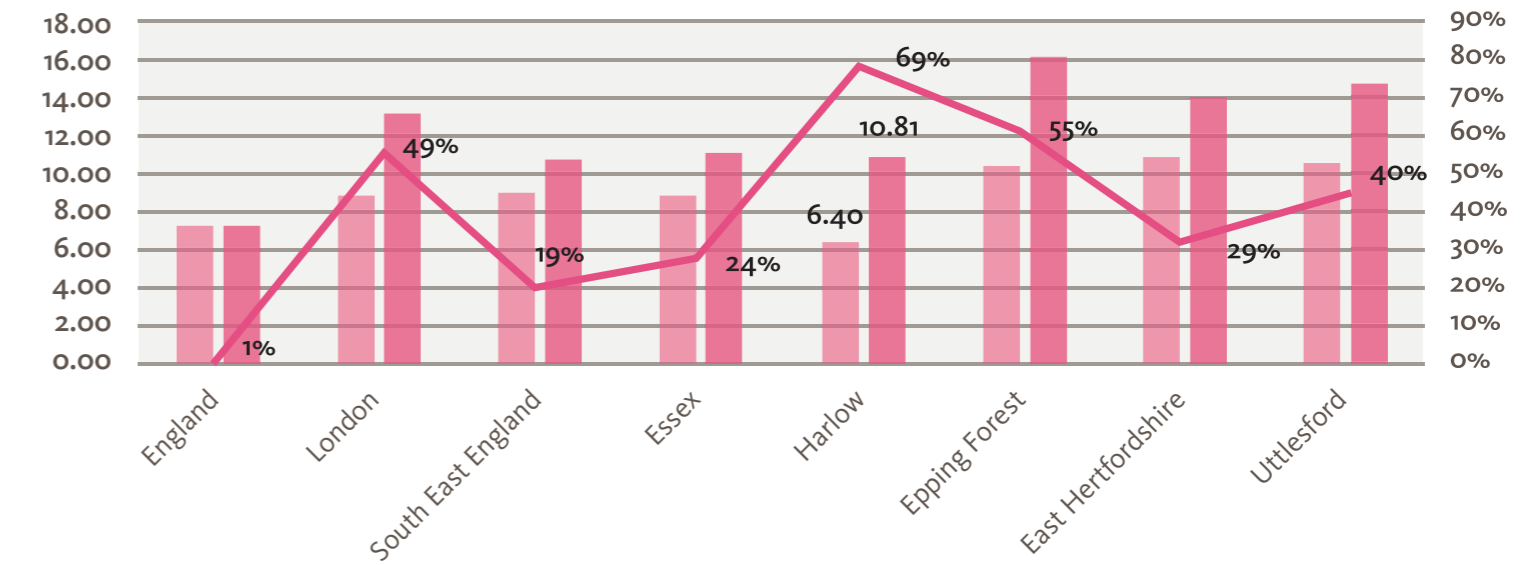


Figure 7: Harlow house price to earnings ratio  
Source: Strawberry Star / ONS



With a higher gross disposable household income per head, Harlow residents are more able to afford a home in the local area than residents in the London Boroughs of Enfield and Waltham Forest.

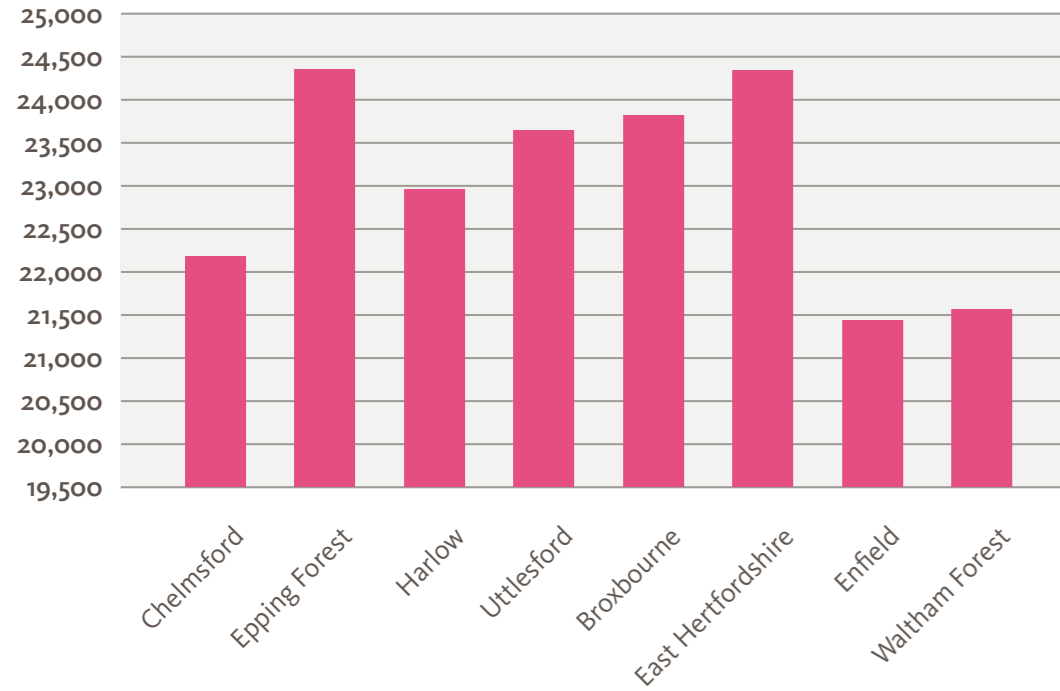


Figure 8: Gross disposable household income per head in 2016 (£)  
Source: Strawberry Star / ONS

Local Authority	Workplace Based	Residence Based
Basildon	26,728	29,925
Brentwood	36,068	41,589
Chelmsford	28,817	31,794
Epping Forest	29,679	35,385
Harlow	30,368	27,232
Uttlesford	28,800	36,274
Broxbourne	29,579	32,406
East Hertfordshire	29,535	35,631
Enfield	28,843	30,920
Waltham Forest	28,320	31,365
Essex	28,704	31,781

Table 1: Median gross annual earnings in 2017 (£)  
Source: Strawberry Star / ONS

The proportion of people who own their home in Harlow has not changed significantly between 2013 and 2016 which may be due to the shortage of quality new homes, unlike Epping Forest where the decline in home ownership is mainly due to affordability.

People who are priced out of the more expensive locations in London and other towns around Harlow will have the opportunity to move to Harlow, which is currently undergoing significant regeneration that will boost home ownership as well as bring benefits such as improved infrastructure and amenities.



Figure 9: Percentage breakdown of dwelling stock by tenure  
Source: Strawberry Star / ONS

# HOUSE SALES MARKET

The average price paid for all residential properties in Harlow has increased by 70% in the 10-year period from £191,319 in 2008 to £324,365 in December 2017. This includes a 10% increase between 2016 and 2017. Flats recorded the highest increase (9%) between 2016 and 2017.

The average price paid for a new build also increased by 132% in that decade from £201,572 to £468,000. This includes a 7% increase between 2016 and 2017. Flats recorded the highest price growth (127%) in the 10-year period while new-build semi-detached average price declined by 4% between 2016 and 2017, which is explained by the shortage of supply of new-build flats.

Asking sales price of new-builds within 3 miles of the site as at March 2019 (£'000)

Tenure (£'000)	Low	High	No. of units
Detached	400	1,545	53
Flat	203	685	30
Semi-detached	370	670	13
Terrace	330	775	27

Table 2: Asking sales prices of new builds march 2019

Figure 10 shows that more properties have been sold in Harlow (45%) between 2013 and 2018 compared to the more expensive nearby towns. The negative change in sales volumes for Enfield and London confirm the earlier point that more people are moving towards less expensive locations like Harlow that are within a short distance of the city.

Harlow: Change in sales volume 2013 vs 2018

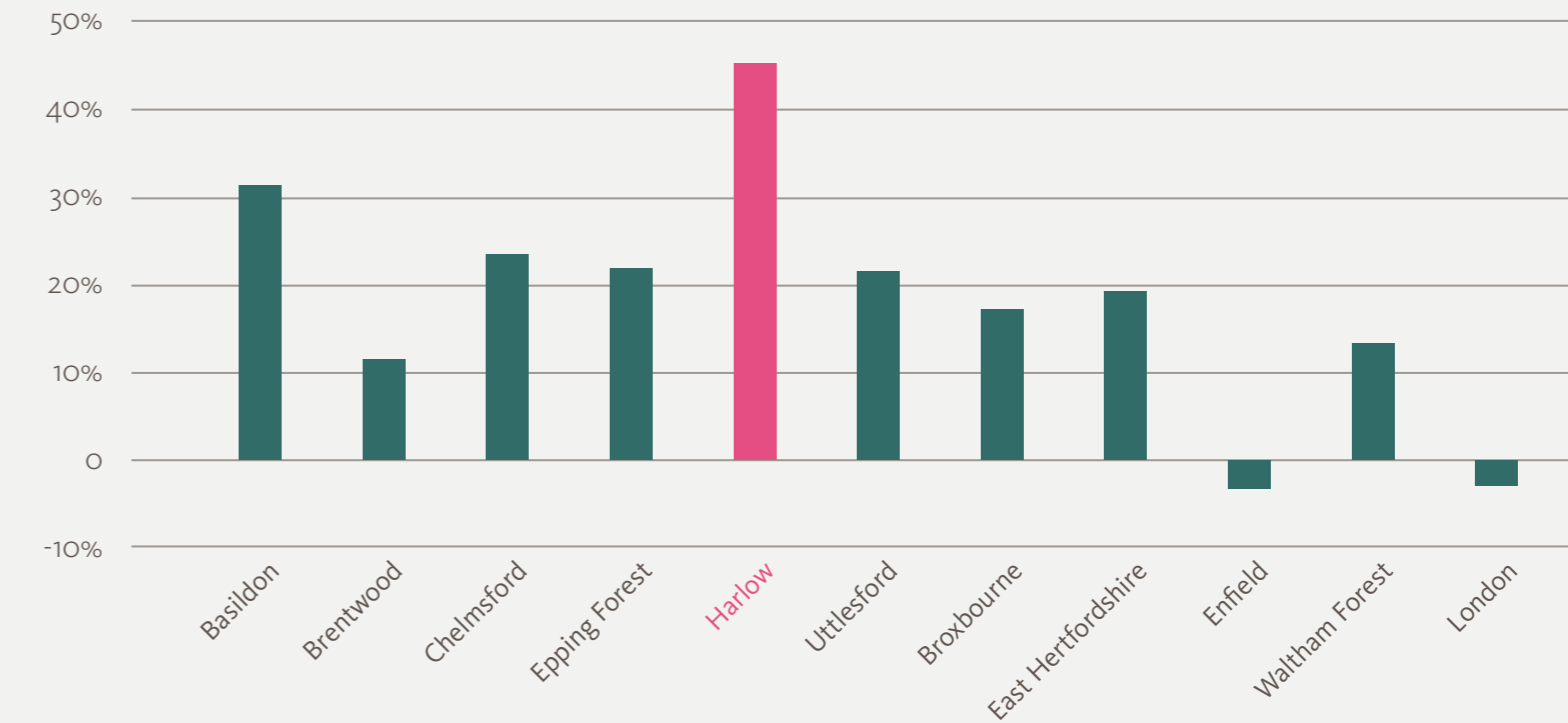


Figure 10: Changes in sales volumes for the year to March 2013 vs year to March 2018  
Source: Strawberry Star using data from ONS and The Centre for Cities



There were 1,425 units sold in 2017, which is an increase of 47% in the 10-years from 2008. This includes a 15% increase in the volume of apartment sales over the 10-year period. Similarly, new build sales transactions have increased by 115% over the same period and 21% between 2016 and 2017.

Flats which formed 54% of the total new-builds sold in 2008, now make up only 8% of new-builds sold in 2017. This reflects the changing demographics in Harlow over the period and reaffirms the shortage of quality and family-friendly new apartments for Harlow's young population.

Harlow: Transaction Volume (new build)

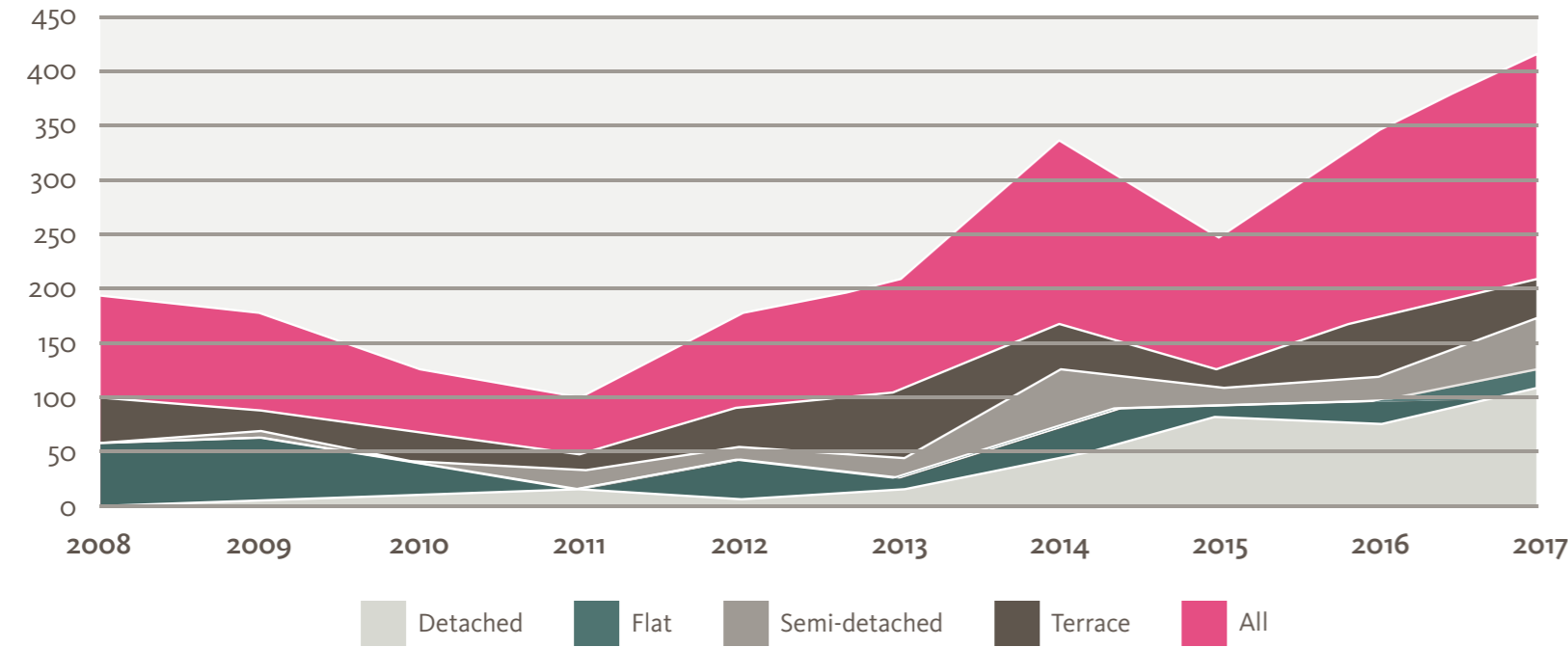


Figure 11: Transaction volumes in Harlow (new build)  
Source: Strawberry Star / Land Registry

Harlow: Transaction Volume (all properties)

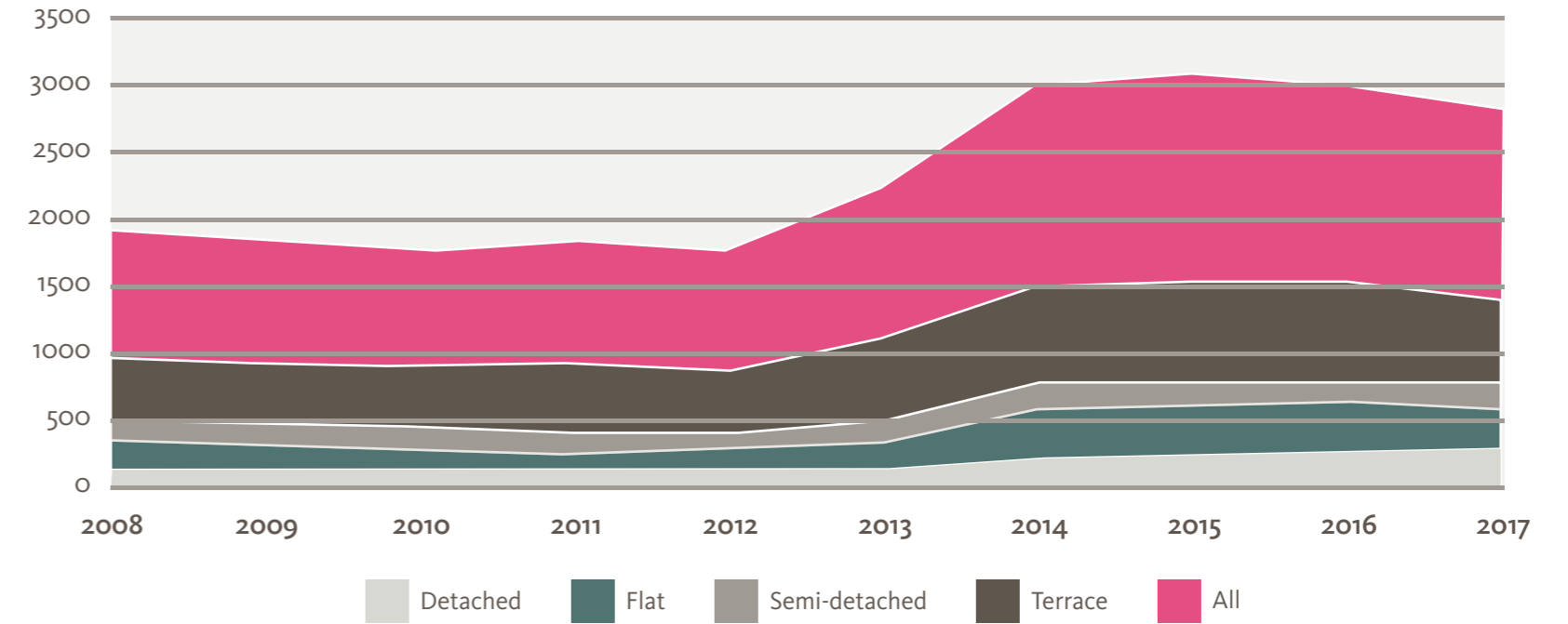


Figure 12: Transaction volumes in Harlow (all properties)  
Source: Strawberry Star / Land Registry

# HARLOW RENTAL MARKET



A high level of one-person households



Younger population, increasing average house prices relative to earnings



Proximity to London



Employment cluster, good infrastructure and planned regeneration

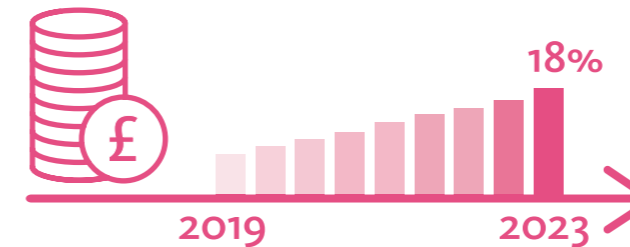


Asking rent for a recently built **one-bed apartment** is up to **£950** per calendar month while a **two-bed apartment** can achieve up to **£1,350** (Rightmove, March 2019).



Using average asking house prices from Zoopla, we estimate that investors can achieve an **annual investment yield of between 5% - 6%** for apartments. According to a local agent, Guardian Residential Sales and Lettings, properties in Harlow can achieve over 7% yield.

The number of households in private rented accommodation in Harlow increased from 14% in 2013 to 16% in 2016. This is due to a number of factors: a high level of one-person households, a younger population, increasing average house prices relative to earnings, Harlow's proximity to London, its employment cluster, good infrastructure, and planned regeneration together with the prospect of good rental values and huge capital gains, makes it a great location for property investors.



CBRE, in its 5-year forecast released in 2018, predicted **18% rental growth** between 2019 and 2023, which is similar to London at an average of 3.6% per year.



The rental market is expected to get better especially with the planned development of the world-class Med Tech university campus and the **increasing employment cluster**, which will trigger **increased demand** from university students and company employees.



# MIGRATION

More people are moving to Harlow as homes in surrounding commuter towns continue to become increasingly unaffordable. The ONS 2017 migration data, shows that the majority of people who moved to Harlow in 2017 were Londoners (44%) showing an increase of 20% from the previous year. Of all the local authorities, Epping Forrest in Essex (15%) accounted for the highest proportion of movers, followed by Enfield in London (10%), Newham and Waltham Forest (8% each), while Broxbourne and East Hertfordshire each accounted for over 6%.

This confirms a demand shift towards Harlow and the evidence that the housing market is fast developing, less saturated and has better scope for capital appreciation than nearby commuter towns.

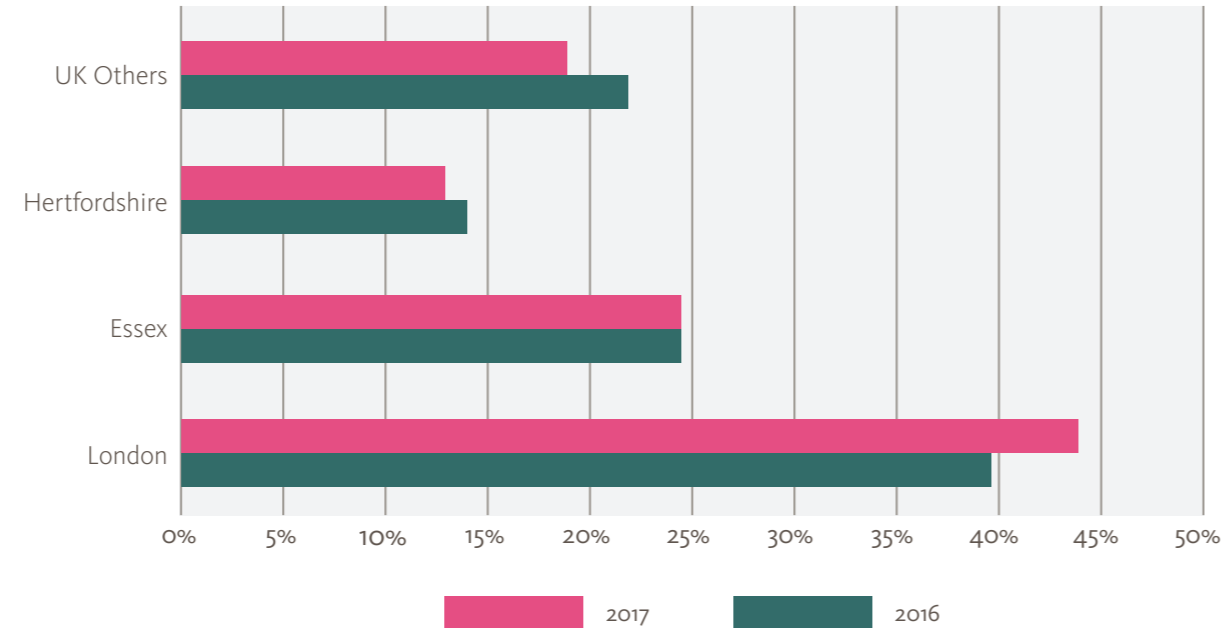


Figure 13: Original location of people migrating to Harlow  
Source: Strawberry Star / ONS

# HOUSING DELIVERY TARGETS AND ACTIVITY

Data from the Ministry of Housing, Communities and Local government's (MHCLG) housing delivery test 2018, suggest that Harlow is not meeting their annual homes delivery target.

Figure 14 shows that Harlow has delivered an average of 282 homes per year in the three years from 2016 to March 2018 compared to the annual target average of 336. Similarly, according to the housing requirement assessments for the council, Harlow has a target to build 7,500 additional homes in the 20 years to 2031, which is an equivalent of 375 homes per year.

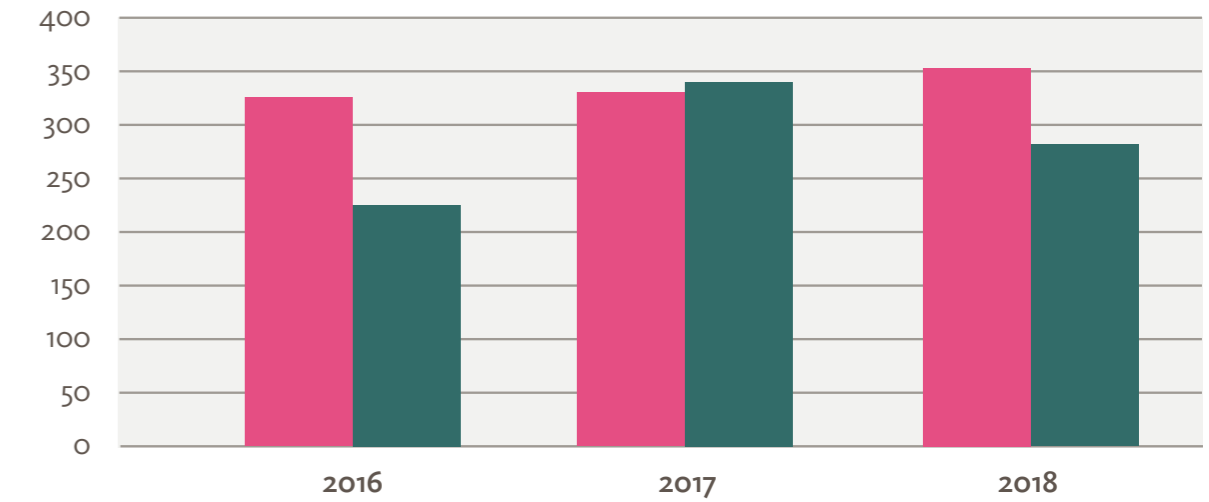


Figure 14: Housing delivery requirement  
Source: Strawberry Star / MHCLG (Housing delivery test 2018)

# HOUSING DEMAND AND SUPPLY

The relationship between population growth and net housing additions in Harlow as shown in figure 15 reflect the shortage of housing supply and the increasing demand that is mainly driven by more Londoners moving to Harlow to exploit the easy commute and cheaper housing relative to neighboring towns and London.

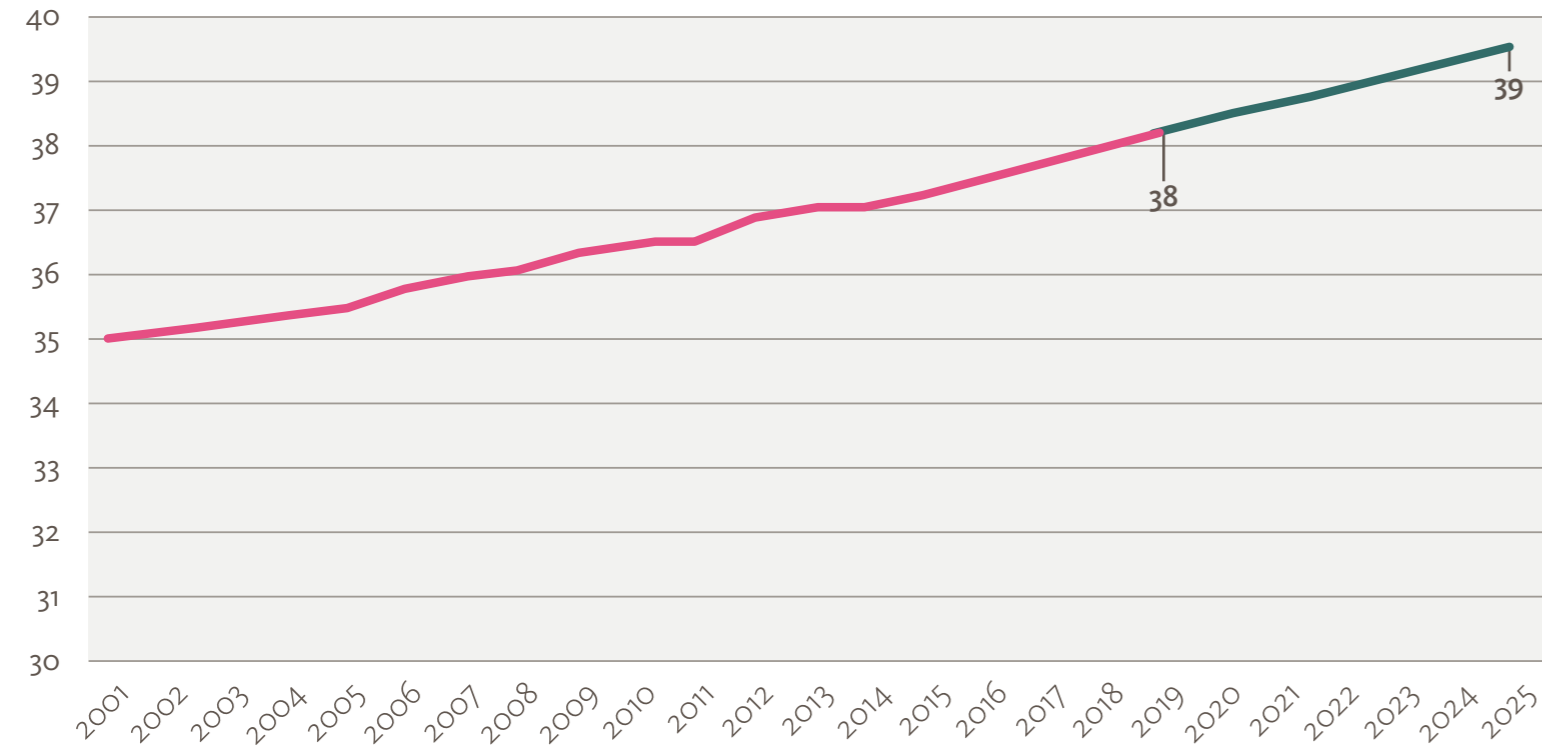


Figure 15: Housing (dwelling) demand projections in Harlow  
Source: Strawberry Star / East of England Forecasting Model: 2017

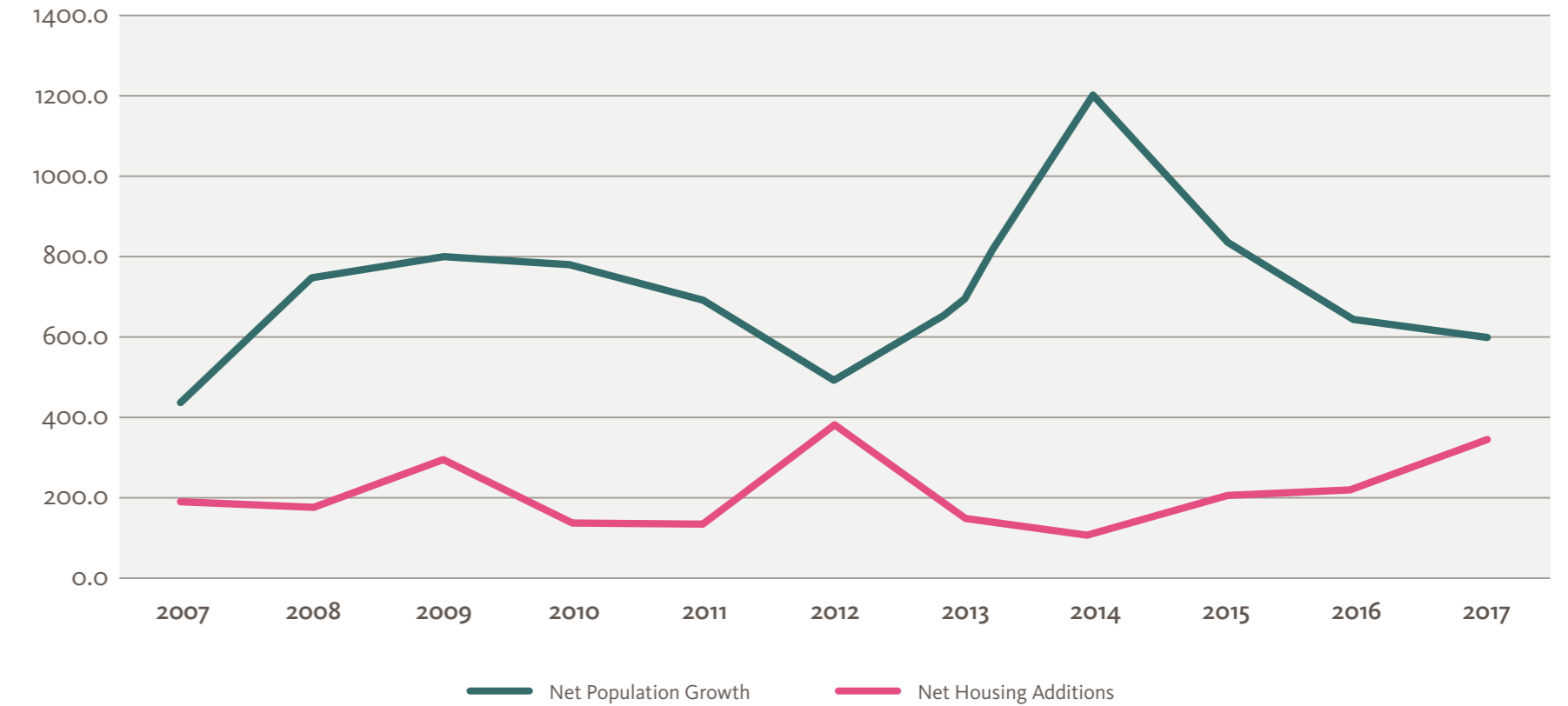


Figure 16: Net housing demand and supply in Harlow 2001 - 2017  
Source: Strawberry Star using data from ONS and DCLG



# HARLOW DEMOGRAPHICS

Harlow's population is forecast to grow by 22% from 85,000 in 2014 to about 104,000 by 2039. This rate of population growth is faster than that of the whole of Essex (20%) and England (17%). With over 60% of the population under the age of 45 and the expanding active working-age population, Harlow has a relatively younger population than neighbouring towns in Essex.

The households and dwellings in Harlow are projected to increase by 18% between 2016 and 2041. This equates to an additional 251 households per year and confirms the need for more homes to be built.

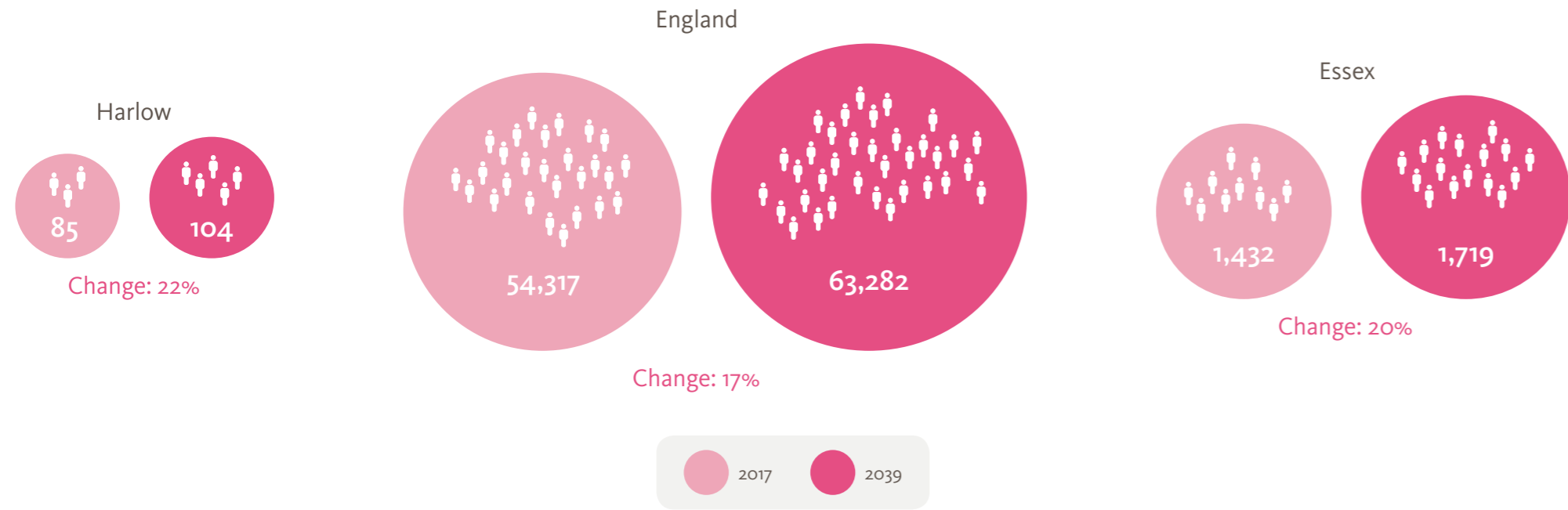


Figure 17: Population projection 2014 - 2039  
Source: Strawberry Star / ONS - 2016-based subnational population projections (stated in '000)

The rationale for the delivery of apartments in Harlow is justified by the high and growing proportion of one-person households, as shown in Figure 19.

Harlow: Population Growth 2014 to 2039

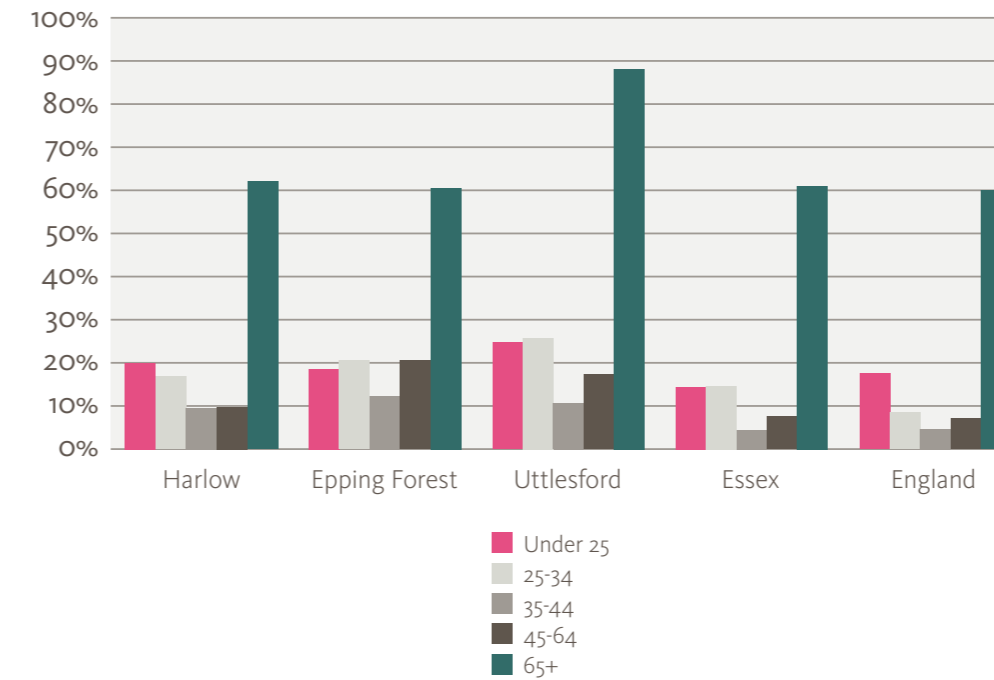


Figure 18: Population growth by age group 2016 - 2039  
Source: Strawberry Star / ONS

Harlow Household Formation and Projection

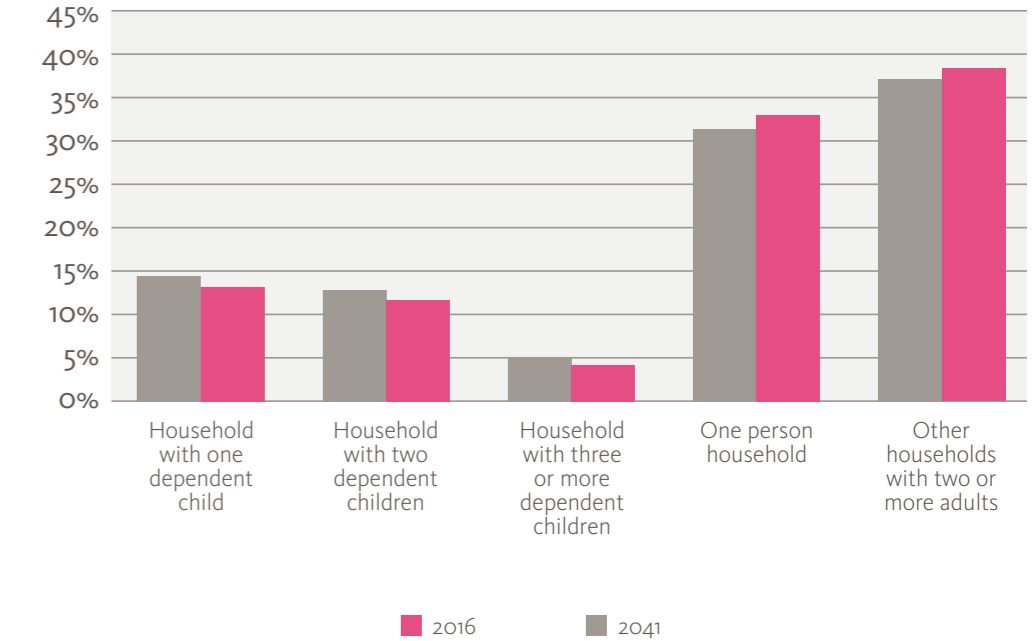


Figure 19: Harlow household and dwelling projections  
Source: Strawberry Star / ONS

# IMPACT OF GOVERNMENT POLICIES

## First Time Buyers and Home Movers

- **Help to Buy Equity Loan:** The government's help-to-buy equity loan has made it cheaper for some home buyers to get onto the property ladder. The Help-to-Buy scheme has contributed to the development and sale of new build properties across England.
- A total of 169,102 properties were sold across England under the help-to-buy scheme between quarter two of 2013 and quarter one of 2018. About 81% of these properties were purchased by first-time buyers.
- In Harlow, nearly half of new homes sold in 2017 were purchased using Help-to-Buy equity loans. The use of Help-to-Buy in Harlow has more than doubled compared to 2015. This implies that increasing numbers of people are relying on the Help-to-Buy scheme to purchase their dream home in Harlow.

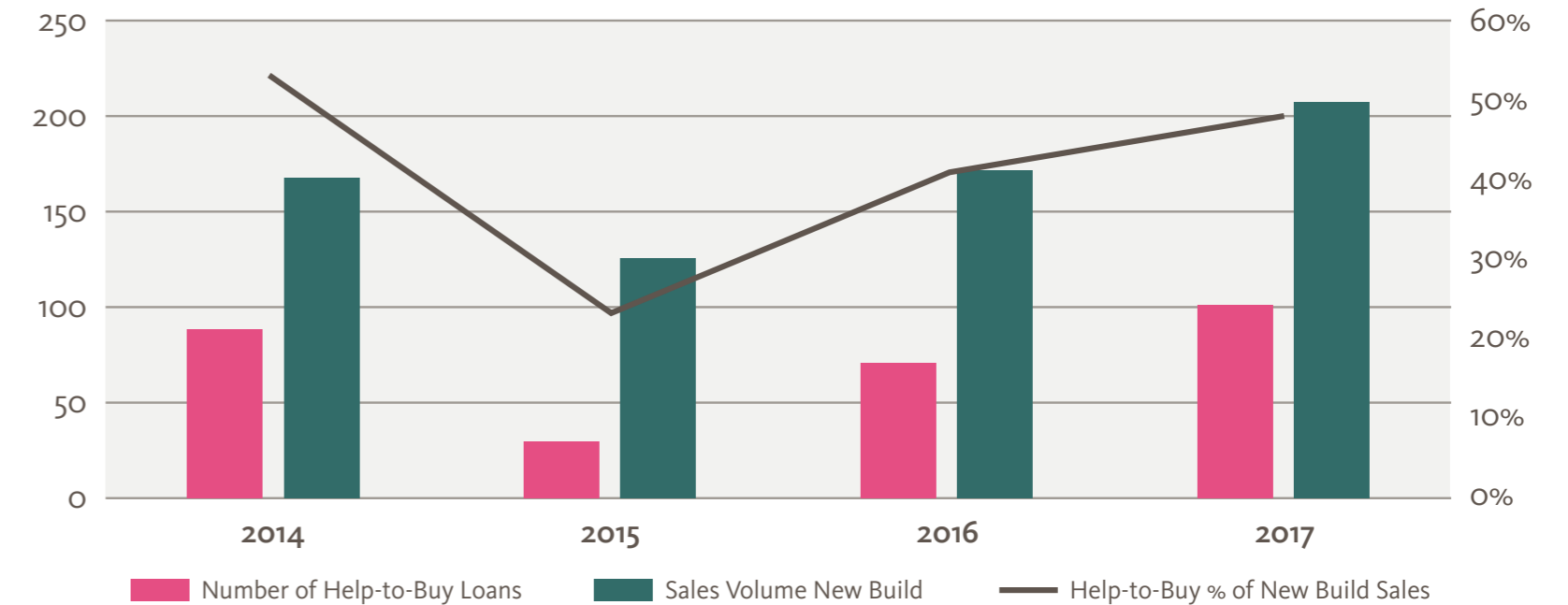


Figure 20: Number of help to buy transactions from Q2 in 2013 to Q4 in 2017  
Source: Strawberry Star using ONS data

# INVESTORS



The increasing popularity of Harlow as a hotspot for property investors is mainly due to some location-based factors such as cheaper average property price, growing rental population and rental growth, higher rental yield and capital appreciation. Harlow investors are also taking advantage of the town's proximity to London, good transport connectivity, good infrastructure, employment cluster, increasing young population and the opportunities created from being at the very centre of the extensive life science and medical technology cluster in the London Stansted Cambridge Corridor.



The UK pound, unemployment, and interest rates have been at their lowest levels despite the recent interest rate hike and the uncertainty surrounding the UK vote to exit the EU. Residential property investment is seen by many as less volatile and less risky compared to other asset classes with high return potential. There is also the availability of interest-only mortgages. These factors have made investment in residential property attractive to local and foreign investors with high disposable incomes and wealth.



The higher rate for additional dwelling (HRAD) data from the ONS, shows that one-third of Harlow residential property purchases relate to either purchases of second homes or purchases by investors. HRAD was introduced in April 2016 and applies to purchases of second homes and buy-to-let properties.

Based on the above data, it can be concluded that the introduction of the higher tax rate on additional properties, the restrictions on the mortgage interest tax relief, stricter lending criteria, recent interest rate hike and the uncertainty over Brexit had no significant negative impact on the Harlow property investment market.



There was an increase of 28% in the estimated total value of Harlow properties purchased by investors between 2016/17 and 2017/18, despite a slight drop in transaction volume. This implies that Harlow investors are not deterred by the buy-to-let policy restrictions unlike in some UK towns that have witnessed a significant decline in buy-to-let property investment. Harlow is a growing market for investors as evidenced by high and increasing capital appreciation; which will further increase with the current regeneration investment.



Other than the foreign investors who are capitalising on the cheaper pound, residents from neighbouring towns are more likely to invest in a second home or buy-to-let property in Harlow than Harlow residents. This is because neighbouring towns such as Epping Forrest, Uttlesford, Broxbourne and East Hertfordshire, have a significantly higher gross household disposable income per head than Harlow residents and live nearer to Harlow than residents from other regions.

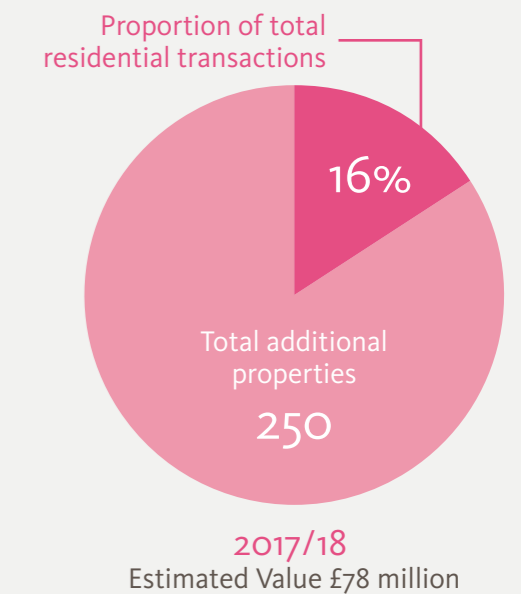
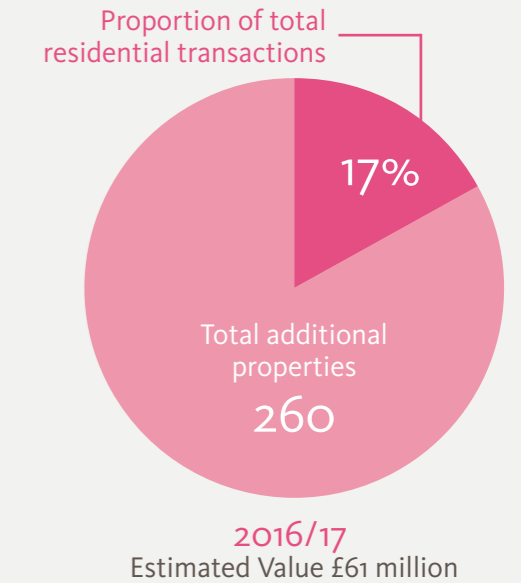


Figure 21: Property transaction 2016-2018  
Source: ONS, Table 7b: Additional dwellings transactions & receipts by Local Authority

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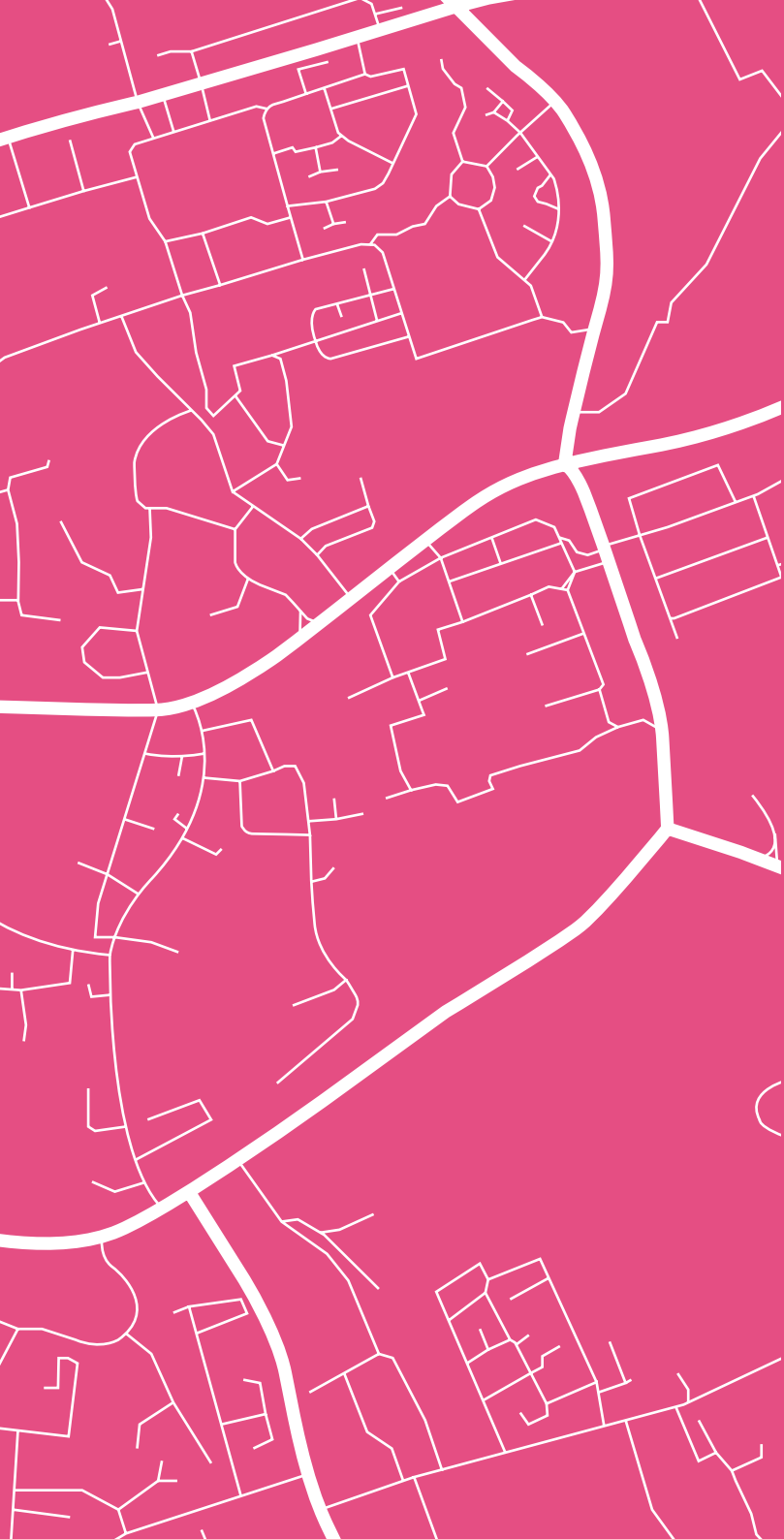
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