

Molior London



ORCHARD WHARF - TOWER HAMLETS

Quarterly Analysis July 2022

Executive Summary

4,950 new homes sold in London during the second quarter of 2022. That's a reasonable enough number – not as many as the 6,050 sales in Q1, but about the quarterly average for the last five years.

Meanwhile, just 3,270 private units started construction in Q2, which is considerably lower than average. Remove Build to Rent (BTR) starts and the number drops to just 2,010, which is lower than any comparable figure since the end of 2011.

This may sound alarming but, as ever, it is worth pointing out that residential development data is always 'lumpy' in nature and the Q2 figure comes on the back of a relatively strong Q1. Nevertheless, it is worth examining which developers put their heads above the parapet in Q2.

Very few major projects have started without market risk being addressed up-front. 39% of all starts, a very high proportion, are destined for the BTR sector. The top BTR schemes to start were:

- Plots NEO2 and NEO3 at Quintain's Wembley Park, which will together deliver 568 BTR units, plus 138 discount market rent and other affordable units.
- Plot 4 at Lendlease's Deptford Landings, which will deliver 251 BTR units for Realstar.
- Plot 13 at Argent Related's Brent Cross Town, which will deliver 250 BTR units, plus 98 for private sale.

Those are all plots within large regeneration projects, a theme that is echoed in a number of build to sell starts. Two of the largest projects have already launched successfully:

- Phase one of Berkeley's Lombard Square, which is the sequel to Woolwich Arsenal and contains 327 private sale units, plus 65 affordable units.

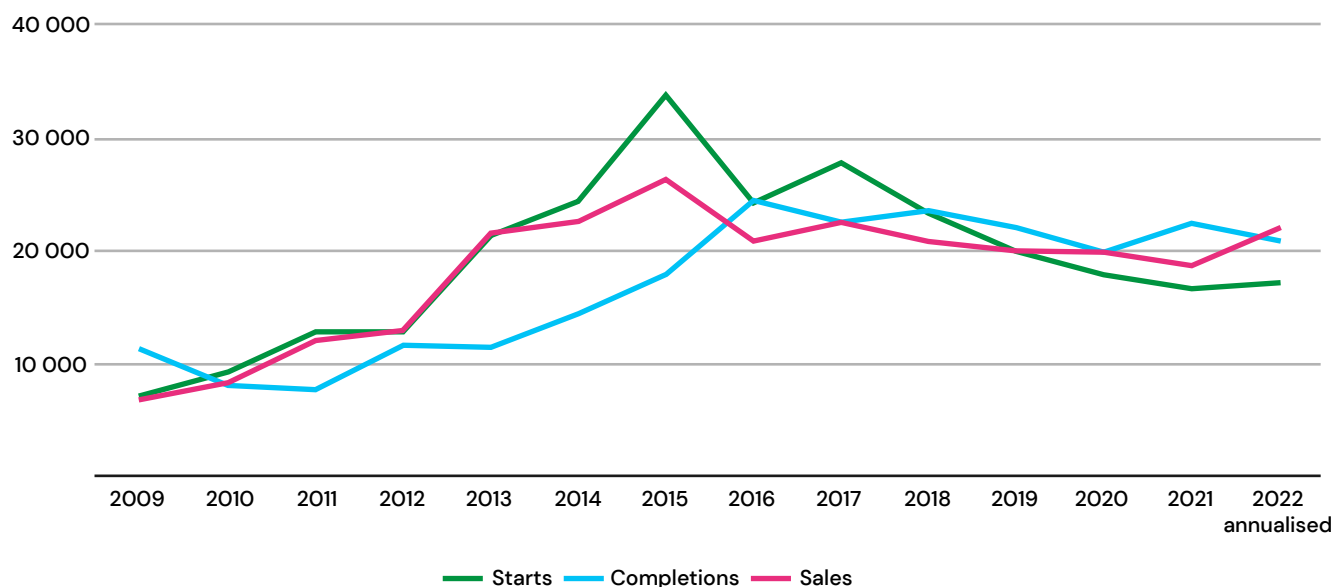
- Plot 12 at Argent Related's Brent Cross town, which will deliver 182 private sale units plus 110 affordable units.

Meanwhile, London Square and Hestia's Phase 1 of The Hyde Electrical Works takes the alternative route of switching 159 private units to affordable housing, on top of 86 s106 affordable units.

Just two 100+ unit projects started during Q2 2022 on a purely speculative basis, and have yet to be launched:

- Fairview's Gallions View, in Woolwich, which has 216 private units, plus 117 affordable.
- Barratt's 227-255 Ilderton Road in South Bermondsey, which is currently permitted as 177 private units, plus 76 affordable, all over 2,540 square meters of industrial floor space.

Both developers are arguably starting to run low on stock in London.



It is unusual for construction starts to be so low compared to sales – the Q2 starts number is just 66% of sales. You would need to go back to 2011 to find such a low proportion and from 2012 to 2019 it was normal for starts to run ahead of sales.

Again, the ‘lumpy data’ caveat applies, but the low proportion does emphasise an important point: both first time buyers and overseas buyers alike appear to be going for the old favourites. The vast majority of Q2’s top selling schemes are large projects already established in the market place.

The three top selling Help to Buy schemes are:

- Countryside and Notting Hill Genesis’ Fresh Wharf, which sold 72 sales in Q2 alone.
- Peabody’s Southmere Village, which sold 60.
- Lovell’s Trinity Walk, which sold 46.

Meanwhile, three typical non Help to Buy schemes that sold well during Q2, mostly overseas, are:

- The Waterfront phase of Berkeley’s Royal Arsenal, which sold almost 60 units.
- The Editions Collection phase of Berkeley’s Woodberry Down, which sold around 50.
- Ballymore’s Riverscape, which sold 38.

Few first-time launches during Q2 notched up a remarkable number of sales – even on schemes that still qualify for Help to Buy.

20 schemes launched for the first time during Q2 and only four sold over 30 units, these are:

- Berkeley St George’s Silkstream, which is believed to have sold around 40.
- Phase 3 of Bellway’s Fielders Quarter, which sold 32.
- Plots 12 and 13 at Argent Related’s Brent Cross Town (named The Delamarre and The Ashbee respectively), which together sold 128 units in addition to the 250 private units on Plot 13 being delivered for BTR.

Berkeley has the most successful brand in the industry and Bellway's Fielders Quarter Phase 3 is simply the next step of a long running project ... which makes Brent Cross Town the most interesting story. The project builds on Argent's long running work at Kings Cross, which is on its final residential phase. The various parts of the Brent Cross Town story are highly compelling, such as the claim to be 'one of Europe's largest town centre developments' and the pledge to be 'net zero carbon by 2030'. Incidentally the latter point is something that could soon become just a normal requirement for institutional BTR investors.

The market segmentation table below shows that first time buyers and overseas buyers are important because, ignoring BTR, Help to Buy is currently the main sales key driver in cheaper schemes, and overseas buyers are key for the more expensive projects. 'Normal Buyers' are fairly insignificant in both columns. Unsurprisingly, therefore, we get asked two types of question on a regular basis.

	<£800 PSF	>£800 PSF	Total	Percent
Schemes selling <12 units in Q2 2022				
Homes sold in these schemes	369	423	792	15%
Schemes selling 12+ units in Q2 2022				
Main Driver of Sales				
Build to Rent	1316	341	1657	33%
Help to Buy	1249	155	1404	28%
Overseas	104	637	741	15%
Switched to affordable	203	0	203	4%
Normal UK Dales	20	111	131	3%
Bulk deal	26	0	26	1%
Homes sold in these schemes	2918	1244	4162	84%
Total Homes Sold	3287	3287	3287	3287

First, how are developers promoting to first time buyers without Help to Buy? By and large this has yet to be answered ... the industry has enough qualifying HTB stock for the time being so there is little visible marketing of later completing blocks. That said, a few stamp duty offers have appeared and there is some talk of negotiated perks like furniture or appliances.

Second, what is the level of demand in the Far East? The answer that we usually hear is that ongoing Covid restrictions in China mean that there is little sign of off-plan buyers there breaking out of a comfort zone offered by Berkeley and a few others.

Period	Starts	Completions	Sales
2009: Q1	1,254	2,414	1,464
2009: Q2	3,118	4,782	1,840
2009: Q3	1,546	1,288	1,549
2009: Q4	1,282	2,778	2,031
2010: Q1	1,928	2,106	1,866
2010: Q2	2,268	1,795	2,123
2010: Q3	2,391	2,037	2,177
2010: Q4	2,718	2,161	2,184
2011: Q1	5,107	1,225	2,872
2011: Q2	2,257	2,138	2,110
2011: Q3	3,397	2,264	3,907
2011: Q4	2,062	2,100	3,193
2012: Q1	2,880	2,597	3,662
2012: Q2	3,028	3,333	2,666
2012: Q3	3,063	2,141	2,813
2012: Q4	3,858	3,603	3,822
2013: Q1	4,740	2,321	5,743
2013: Q2	4,332	2,937	4,510
2013: Q3	6,077	3,036	5,452
2013: Q4	6,245	3,188	5,884
2014: Q1	5,189	2,799	4,964
2014: Q2	6,099	4,373	5,434
2014: Q3	5,590	3,573	5,607
2014: Q4	7,533	3,688	6,600
2015: Q1	9,735	3,832	8,573
2015: Q2	7,573	3,850	6,574
2015: Q3	8,156	5,531	5,589
2015: Q4	8,311	4,735	5,589
2016: Q1	6,238	4,698	5,859
2016: Q2	5,124	5,877	4,649
2016: Q3	6,973	6,740	4,994
2016: Q4	5,882	7,154	5,368
2017: Q1	6,495	6,493	5,537
2017: Q2	7,120	4,818	5,950
2017: Q3	7,663	5,406	5,852
2017: Q4	6,528	5,820	5,130
2018: Q1	6,554	4,463	6,442
2018: Q2	7,173	5,665	5,095
2018: Q3	3,591	6,356	4,210
2018: Q4	6,032	7,088	5,076
2019: Q1	5,881	4,820	5,051
2019: Q2	3,611	5,274	4,623
2019: Q3	5,150	5,889	4,591
2019: Q4	5,324	6,057	5,750
2020: Q1	4,768	6,112	5,947
2020: Q2	3,312	3,103	3,865
2020: Q3	4,935	5,153	5,840
2020: Q4	4,859	5,569	4,185
2021: Q1	2,628	5,653	3,811
2021: Q2	3,623	6,423	4,466
2021: Q3	4,654	4,360	5,128
2021: Q4	5,776	6,009	5,300
2022: Q1	5,313	4,137	6,047
2022: Q2	3,273	6,306	4,954

The Numbers

During the last few weeks Molior London has interviewed the developers behind the 662 schemes being built or with stock units across London. We do this each quarter.

Please note this report excludes schemes with fewer than 20 private homes and all numbers refer to units consented for private sale only.

The graph on page 3 and table opposite show starts, completions and sales across all London local authorities since 2009.

The smaller table on page 4 shows the main driver of sales for schemes that sold 12 or more units during Q2 2022.

Construction

- 3,270 units commenced construction across London during Q2 2022
- That is down from 5,310 in Q1, and down on a quarterly average of 5,280 over the five years from 2017 to 2021.
- 1,270 of the starts in Q2, 39%, were for BTR, leaving 2,010 for other segments – the lowest number since Q4 2011.
- 6,310 units completed construction across London during Q2 2022 – up from 4,140 in Q1 and up on a quarterly average of 5,530 over the five years from 2017 to 2021.
- 53,000 units were under construction at the end of Q2 2022 – 3% down on the end of 2021 and 18% off the 2018 peak.
- 25% of all units underway are for BTR.

Sales

- 4,950 units sold across London during Q2 2022.
- That is down from 6,050 in Q1, but not far off the quarterly average of 5,090 over the five years from 2017 to 2021.
- 1,620 of the sales in Q2, 33%, were accounted for by BTR.
- 46% of units under construction are unsold, down from 49% at the end of 2021.
- In addition, there are 3,130 completed unsold 'stock' units across London – broadly as has been the case since the end of 2020.

Pricing

- The average new build completion price for homes in London sized from 291 to 450 sq ft (studios, in broad terms) since June 2020 was £387,192 or £964 psf.
- For homes sized from 451 to 650 sq ft (1-beds) it was £504,899 or £896 psf.
- For homes sized from 651 to 850 sq ft (2-beds) it was £606,995 or £797 psf.
- For homes sized from 851 to 1050 sq ft (3-beds) it was £842,925 or £898 psf.

Any Questions...

BTR lease up rates

- During 2019, 17 schemes with 50+ BTR units stabilised, at an average rate of 21 units per month.
- During 2020, nine schemes stabilised, at an average of 12 units per month.
- During 2021, 30 schemes stabilised, at an average of 12 units per month.
- During the first half of 2022, 18 stabilised, at an average of 20 units per month.
- 37 BTR developments, containing 7,260 BTR units, completed in the 12 months to the end of Q2 2022. 4,650 of those BTR units, 64%, have now let.

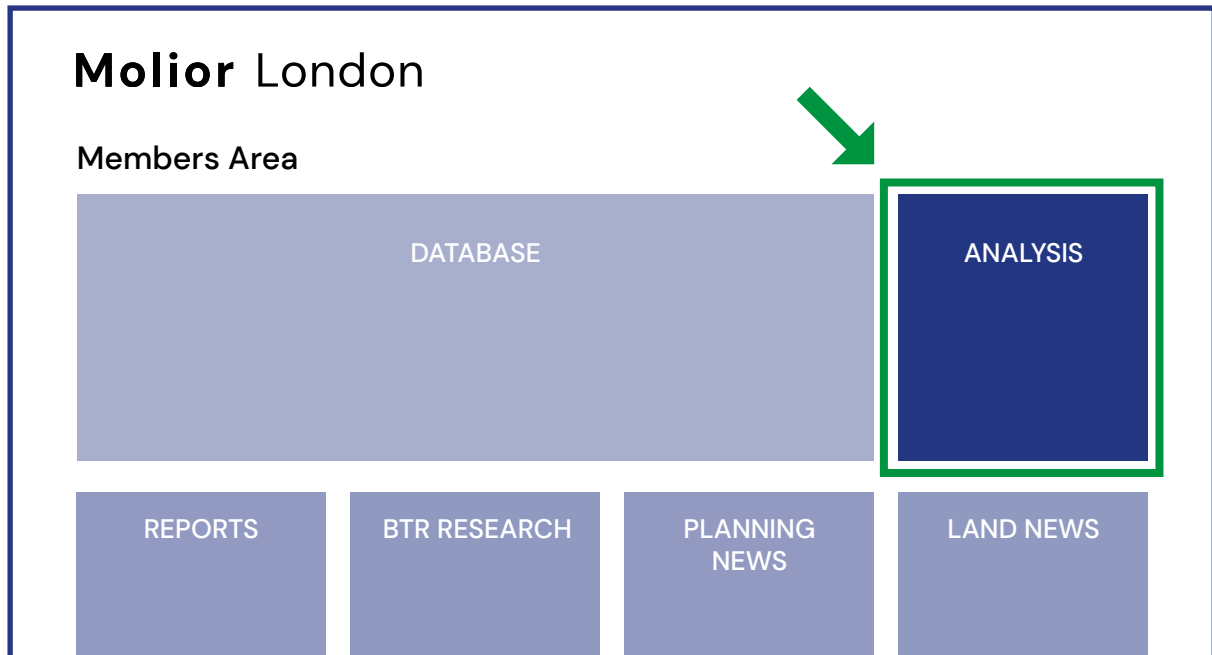
Incredibly detailed scheme-by-scheme information and can be found on the Molior database, together with regional graphs and borough-by-borough tables showing a range of residential development datasets going back to 2009. Instructions for how to access these graphs and tables are shown on the final page. If you need log-in details please get in touch. Our mobile numbers are below – if you have any questions whatsoever, please do not hesitate to call us.

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14 July 2022**

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How to find Molior's detailed graphs...

1. Log in to Molior – if you need log-in details please get in touch.
2. Click through to the [Members Area](#).
3. Click on [Analysis](#).



4. Select dataset that you want to view.

