



QUARTERLY ANALYSIS OCTOBER 2021

MOLIOR · LONDON
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FRONT COVER PHOTO

One West Point, Ealing

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One West Point, Ealing



EXECUTIVE SUMMARY



Empress Works, Tower Hamlets

Q3 2021 saw the strongest number of new homes sold in London during the last 12 months. And, unlike the growth seen in Q2, this was not just due to Build to Rent (BTR) activity. Sales agents and marketing suites across the wider market have many stories of success to tell.

If BTR is removed from the numbers, 3,360 units sold to other market segments during Q3 2021. That is up 20% compared to Q2

and is the highest quarterly figure in the last 12 months, although it is still some way off the very strong figure of 4,300 sales during Q3 2020.

There has also been a rise in construction starts. 2,900 non-BTR units started during Q3 2021, which is 23% up on the Q2 level.

As ever, the small table on page 6 helps to explain market movements by allocating the

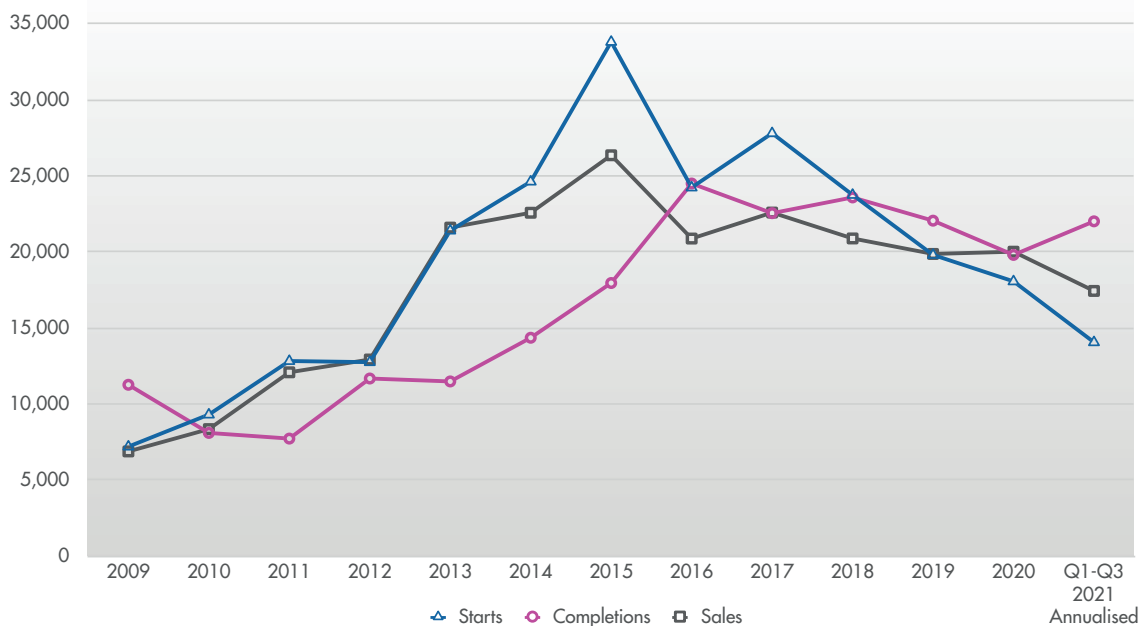
number of sales in London's top selling schemes across a number of key segments. This should be treated as a rough-and-ready analysis, but highlights some key points.

The first is that, although the numbers show broad growth, BTR still accounted for the highest

proportion of homes sold in London during Q3 2021. The sector has gained confidence from the lettings market's return to form - almost as many BTR projects stabilised during Q3 2021 as in the previous six quarters added together.

The two leading BTR developments to start

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
TOTAL SCHEMES	660	677	673	675	655	649	657
Total homes sold	6,058	3,944	5,888	4,116	3,641	4,258	5,173
SCHEMES SELLING <12 UNITS	550	602	548	582	569	551	562
Homes sold in these schemes	895	840	920	776	774	838	810
SCHEMES SELLING 12+ UNITS	110	75	125	93	86	98	95
<i>Main Driver of Sales</i>							
Build to Rent	2,118	976	1,583	904	534	1,366	1,812
Help to Buy	1,046	461	1,391	887	1,121	1,008	901
Switched to affordable	601	731	491	524	311	316	755
Overseas	447	257	819	595	210	326	391
Launched prior to start	291	340	377	90	271	85	252
Normal sales	399	257	232	186	221	278	214
Bulk deal	261	82	75	154	199	41	38
Homes sold in these schemes	5,163	3,104	4,968	3,340	2,867	3,420	4,363



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	2,947	3,333	2,625
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	4,924
2014: Q2	6,099	4,292	5,434
2014: Q3	5,590	3,573	5,607
2014: Q4	7,734	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	8,328	4,735	5,606
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	5,890	7,171	5,368
2017: Q1	6,495	6,493	5,582
2017: Q2	7,120	4,818	5,950
2017: Q3	7,663	5,406	5,960
2017: Q4	6,510	5,820	5,085
2018: Q1	6,633	4,463	6,480
2018: Q2	7,429	5,665	5,120
2018: Q3	3,645	6,356	4,206
2018: Q4	6,032	7,088	5,071
2019: Q1	5,881	4,802	5,042
2019: Q2	3,469	5,297	4,514
2019: Q3	5,149	5,889	4,527
2019: Q4	5,297	6,057	5,776
2020: Q1	4,889	5,980	6,058
2020: Q2	3,454	3,094	3,944
2020: Q3	4,918	5,153	5,888
2020: Q4	4,796	5,569	4,116
2021: Q1	2,627	5,654	3,641
2021: Q2	3,492	6,383	4,258
2021: Q3	4,423	4,464	5,173

construction during Q3 2021 were:

- ▶ L&G's New Acres, which the institution is building in-house and contains a total of 678 BTR units (plus 356 affordable) spread across two sites by Wandsworth Town Station.
- ▶ Inland Homes' Patchworks in Waltham Forest, where 355 units have been acquired for BTR by a vehicle managed by Sigma Capital.

The next point is that Housing Associations and other registered providers have made a significant contribution by switching private units into affordable tenures. The two largest examples are:

- ▶ The Guinness Partnership's Signal Park at Tolworth, where all 211 units in the first phase were originally permitted as private, but will now be delivered for shared ownership.
- ▶ London Square's Axion House scheme in Lewisham, where 106 private units will be delivered for shared ownership through the developer's Square Roots affordable housing arm and in partnership with the fund manager Federated Hermes.

Meanwhile, Help to Buy continues to account for over 20% of sales in the top selling schemes, despite the ending of full stamp duty relief. Marketing suites point out that Help to Buy purchasers tend to have avoided furlough, and have instead saved during the various lockdowns and may even have been promoted. Many are also keen to leave the family nest (or perhaps are being pushed by their parents). With these factors in mind, the looming closure of the Help to Buy scheme at the end of March 2023 is perhaps more significant than the end of stamp duty relief.

There has also been much talk of other types of UK based owner-occupiers. For example, Savills sold nine high value units at Blue Coast Capital's Richmond Square to down-sizers during Q3 2021.

Last but not least, the table shows a growing contribution from overseas buyers, both through launches prior to start and sales made during Q3 2021 itself. At this point we have to mention Mount Anvil and Catalyst's Verdean Development, which commenced construction during Q3 2021, having sold 160 units over three weeks back in June and July 2020. Correct us if we're wrong, but that must be one of the fastest selling schemes in recent history.

However, perhaps of greater importance right now is another of Mount Anvil's projects, Royal Eden Docks at Excel London. A block there called Ellipse was released on 10 September 2021 with Hong Kong as the main launch pad, and 35 units had sold by the end of the month.

Another strong contender was Berkeley St William's Poplar Riverside, which had more than 40 sales during Q3 alone and we gather that most of these went overseas.

There has been a gradual re-introduction of large sales exhibitions in Hong Kong and Shanghai, and we know of a number of such launches planned for Q4 that many will watch with interest. However, two further points of interest have emerged.

The first is that, although the return of frequent long-haul flight usage is impatiently awaited by agents and developers, many overseas buyers have relatives and other trusted contacts already living in the UK who are said to be active in the marketplace. In one example a PLC developer has described how 20 freehold houses have been acquired by Chinese based buyers (from both Hong Kong and the mainland) over the last nine months. The houses were all in a single Outer London development, where most of the neighbouring flats are being sold via Help to Buy.

The second point is that the Far East is not the only show in town. A prominent Chinese developer has commented that Q3 has seen a noticeable uptick in interest from other parts of the world, the Arabian Peninsula and India in particular.

So, the industry has reasons for cautious optimism on the short term sales front, but some thought must be spared for those working on construction sites. Having scaled a modest peak in time for the end of full stamp duty relief on 30 June 2021, build completions fell by 30% during Q3 and construction programmes are being extended across the board. The reasons for this slump cover the full range of labour, plant and materials shortages well covered in the media and build costs are expected to rise. How this will affect developers' views on project viability remains to be seen, particularly with the end of Help to Buy on the horizon.

THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 658 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 and table on previous pages show starts, completions and sales across all London local authorities since 2009.

The short table on page 6 shows the main driver of sales for schemes that sold 12 or more units during the last six quarters.

CONSTRUCTION

- ▶ 4,420 units commenced construction across London during Q3 2021, compared to 3,490 in Q2, but note that the quarterly average for 2019 was 4,950.
- ▶ Remove BTR from the equation and 2,900 starts in Q3 2021 compares with 2,360 in Q2.
- ▶ 4,460 units completed construction across London during Q3 2021, compared to 6,380 in Q2.
- ▶ 55,400 units were under construction at the end of Q3 2021, which is 10% down from the end of 2020.

SALES

- ▶ 5,170 units sold across London during Q3 2021, compared to 4,260 in Q2. The quarterly average during 2019 was 4,970.
- ▶ Remove BTR from the equation and 3,360 sales in Q3 2021 compares with 2,800 in Q2.
- ▶ 26,530 units under construction are unsold, which is 48% of all units currently underway, which has been broadly the case since 2018.
- ▶ In addition, there are 3,100 completed unsold 'stock' units across London - 7% up on the end of 2020.

BTR LEASE UP RATES

- ▶ 20 BTR projects with 50+ BTR units have stabilised during 2021 so far.

- ▶ 14 of those schemes stabilised during Q3 2021 alone, which compares to nine such schemes in the whole of 2020 and 16 in 2019.
- ▶ However, having passed through the proverbial eye of the storm, the average lease-up rate for schemes stabilised during 2021 was 11 units per month compared to 13 in 2020 and 22 in 2019.

PRICING

- ▶ The average new build completion price for homes in London sized from 291 to 450 sq ft (studios, in broad terms) since the beginning of 2020 was £391,018 or £982 psf.
- ▶ For homes sized from 451 to 650 sq ft (1-beds) it was £476,633 or £852 psf.
- ▶ For homes sized from 651 to 850 sq ft (2-beds) it was £628,569 or £823 psf.
- ▶ For homes sized from 851 to 1,050 sq ft (3-beds) it was £757,579 or £814 psf.

SUB REGIONS

Sections 1 to 4 of the detailed report describe a number of key indicators for London, as broken down into four London Underground zone groupings.

Zone 1

- ▶ There were 1,330 construction starts during the first three quarters of 2021. Pro-rata this slightly higher than 2020, which had the lowest figure since 2010.

- ▶ There were 1,570 sales. Pro-rata this is 7% down on 2020, and is the lowest number since 2011.
- ▶ Based on current sales rates, it would take 3.1 years to sell all units currently unsold if nothing new commences construction. This is up from 3.0 years at the end of 2020.

Zone 2

- ▶ There were 3,080 construction starts during the first three quarters of 2021. Pro-rata this is 23% down on 2020 and is the lowest number since 2011.
- ▶ There were 3,090 sales. Pro-rata this is 23% down on 2020 and is the lowest number since 2010.
- ▶ Based on current sales rates, it would take 2.0 years to sell all units currently unsold if nothing new commences construction. This is up from 1.5 years at the end of 2020.

Zone 3

- ▶ There were 2,790 construction starts during the first three quarters of 2021. Pro-rata this is 32% down on 2020 and is the lowest number since 2012.
- ▶ There were 3,720 sales. Pro-rata this is 26% down on 2020 and is the lowest number since 2013.
- ▶ Based on current sales rates, it would take 1.6 years to sell all units currently unsold if nothing new commences construction. This is up from 1.3 years at the end of 2020 but is not as high as 1.8 at the end of 2018.

Zones 4 to 6

- ▶ There were 3,340 construction starts during the first three quarters of 2021. Pro-rata this is 18% down on 2020 and is the lowest number since 2012.
- ▶ There were 4,690 sales. Pro-rata this is 9% up on 2020 and is the highest number since 2018.
- ▶ Based on current sales rates, it would take 1.2 years to sell all units currently unsold if nothing new commences construction. This is down from 1.5 years at the end of 2020.

ANY QUESTIONS ...

Incredibly detailed scheme-by-scheme information can be found on the **Molior Database** - 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 call us.

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