



# QUARTERLY ANALYSIS APRIL 2020

**MOLIOR • LONDON**  
residential • development • research

Analysis by Sam Long and Tim Craine



**FRONT COVER PHOTO**

Keybridge - Phase 1, Lambeth  
Photographer: Amanda Denny

**RESEARCH TEAM**

Tim Craine, Sam Long & Tobias Loftin

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Keybridge - Phase 1, Lambeth



# EXECUTIVE SUMMARY



St Clements, Tower Hamlets

*It is impossible to ignore COVID-19. However, the lockdown is yet to have a negative impact on London's residential development numbers. This is because the first ten weeks of 2020 were so positive.*

As one agent put it, the industry made hay during January, February and early March. Across London sales were higher than in any quarter since Q1 2018 and this overshadows what has followed the effective lockdown announced on Monday 23 March.

In late 2019, after the general election, the market narrative moved on from Brexit to be replaced by countless positive stories. Here are just some of the highlights:

- ▶ Strutt & Parker sold a 5-bed apartment for in excess of £25 million at One Kensington Gardens, W8.
- ▶ Other high-end transactions included bulk deals at The Regent's Crescent, W1, and The Broadway, SW1.
- ▶ CBRE and Knight Frank sold around 90

apartments following the launch of Aspen, E14.

- ▶ A number of developments have sold 20+ units through Help to Buy.
- ▶ Lovell sold 64 units at Trinity Walk, SE18, to a single private investor.

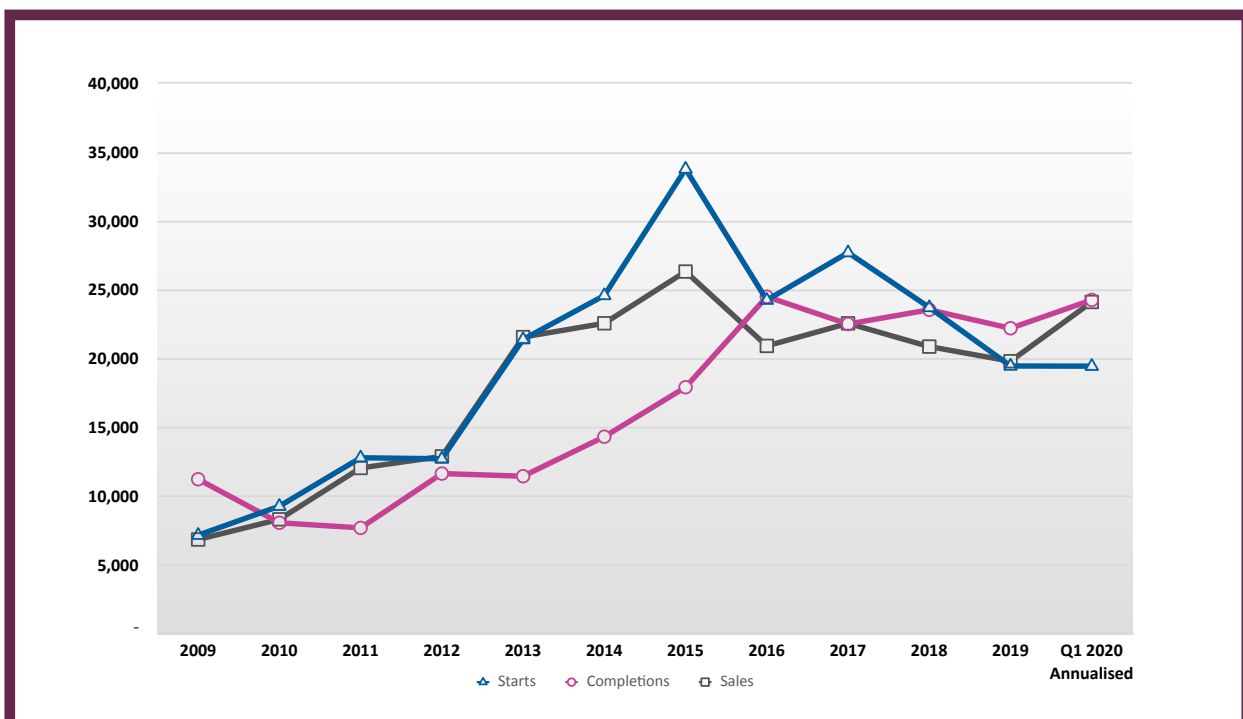
As upbeat as these stories are, the main impact on Q1's sales numbers comes from Westfield's massive 1,224 unit BTR construction start at Cherry Park in Stratford. Elsewhere construction starts were fairly muted but Molior's 1,500 site inspections during February 2020 revealed an industry gearing up to commence a significant number of sites - preparatory works were much in evidence.

Main driver of sales	Schemes	Sales
Build to Rent	12	2111
Help to Buy	45	1035
Switched to affordable	9	567
Normal sales	26	509
Overseas	9	377
Launched prior to start	2	287
Bulk deal	6	186

The market changed rapidly in early March as it became clear that COVID-19 would have a very tangible impact on the UK. Most companies in the industry stepped up preparations for an alternative modus operandi, but it was impossible to fully prepare for the changed world when it arrived.

A number of people have described that first week of lockdown as chaos, but most people had found their feet by the second week. In the third, however, everybody had started to ask 'what's next?'. Unfortunately, any response at this point is likely to raise more questions than answers.

Sales activity has declined sharply across the board and some previous reservations have fallen through. In response most companies including housing associations, housebuilders and agencies have embarked on extensive and sometimes hurried furlough programmes. The remaining teams slightly come across as Mexican armies - partners and directors remain in place but are backed by a much reduced support staff. The 'chosen' few have taken on-board managing the departure of their



colleagues, while also presiding over a growing concentration of sales locations. Many people have put in 14+ hour shifts in their front rooms with the soap opera of family life unfolding around them.

It would seem that the sales market has not died totally. There is undoubtedly a level of online interaction between sellers and buyers, with video tours and video conferences becoming a new normal. One negotiator working for a national house builder has found herself running four large north London sites as a solo operation based in her kitchen. She described five reservations secured

since the start of lockdown and was justifiably proud of that achievement. However, she also questioned whether it was sustainable activity. Not only had most of the buyers visited the relevant marketing suites prior to lockdown, but the reservation fees had been reduced to an extent where the level of commitment demanded is questionable.

For reservations that are secured, mortgage approval has become an obvious hurdle, although some have suggested that a form of online valuation process could help. On the plus side a number of people have suggested that Help to Buy approval

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	4,767	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

PERIOD	STARTS	COMPLETIONS	SALES
2014: Q4	7,734	3,688	6,627
2015: Q1	9,741	3,832	8,579
2015: Q2	7,573	3,850	6,574
2015: Q3	8,156	5,531	5,589
2015: Q4	8,327	4,735	5,606
2016: Q1	6,281	4,731	5,902
2016: Q2	5,124	5,877	4,649
2016: Q3	6,980	6,740	5,001
2016: Q4	5,890	7,171	5,396
2017: Q1	6,495	6,493	5,582
2017: Q2	7,120	4,818	5,950
2017: Q3	7,593	5,406	5,960
2017: Q4	6,518	5,820	5,095
2018: Q1	6,659	4,463	6,475
2018: Q2	7,466	5,665	5,148
2018: Q3	3,645	6,356	4,351
2018: Q4	5,972	7,088	4,925
2019: Q1	5,659	4,802	4,984
2019: Q2	3,537	5,320	4,535
2019: Q3	4,837	5,919	4,676
2019: Q4	5,456	6,189	5,642
2020: Q1	4,869	6,072	6,035



seems to have stepped up a gear. However, perhaps this is only for sites that already have a foot firmly in the door - one developer that secured its first qualifying sales just before the lockdown has found the Help to Buy door firmly shut.

While some sales agents tentatively anticipate a 'V' shaped dip in sales activity followed by a rapid recovery there is universal concern about the construction side of the industry. Building works have been rapidly wound down on most sites, with residual operations focused on finishing plots pending imminent sales completion. Even there we gather that materials and labour shortages have presented significant headwinds. The usual mixture of fixed costs and narrow margins means that some contractors may simply not make it through a prolonged break.

The duration of the lockdown seems, therefore, critical to whether the industry can bounce back, or not. Naturally very few people are prepared to hazard a guess as to how long it will be.

## THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 660 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 Q1 2020.

## CONSTRUCTION

- ▶ 4,870 units commenced construction across London during Q1 2020 - the same as the quarterly average for 2019.
- ▶ 6,070 units completed construction across London during Q1 2020 - 9% up on the quarterly average for 2019.
- ▶ 61,400 units were under construction in London prior to lockdown - about 6% off the peak level at the end of 2018.

## SALES

- ▶ 6,035 units sold across London during Q1 2020 - 22% up on the quarterly average for 2019.
- ▶ But 1,224 of these 'sales' are accounted for by the commencement of a single giant BTR scheme - Westfield's Cherry Park in Stratford.
- ▶ 28,700 units under construction are unsold, which is 47% of all units currently underway.
- ▶ In addition, there are 3,800 completed unsold 'stock' units across London. This is the same as at the end of 2019.

## PRICING

- ▶ The average new build completion price for a home in London over the 12 months to the end of Q1 2020 was £836 psf:
- ▶ 38 developments have completed at average prices below £400 psf.

- ▶ 95 have completed at average prices between £401 and £600 psf.
- ▶ 129 are between £601 and £800 psf.
- ▶ 45 are between £801 and £1,000 psf.
- ▶ 48 are between £1,001 and £1,500 psf.
- ▶ 15 are between £1,501 and £2,000 psf.
- ▶ 13 are between £2,001 and £3,000 psf.
- ▶ And seven schemes have completed at average prices above £3,000 psf.
- ▶ There were 2,210 sales - 70% up on the quarterly average for 2019.
- ▶ N.B. both the above figures include the 1,224 BTR units commenced at Cherry Park.
- ▶ Based on current sales rates, it would take 0.9 years to sell all units currently unsold if nothing new commences construction. This is down from 1.6 years at the end of 2019.

### Zone 3

- ▶ There were 1,570 construction starts during Q1 2020 - 3% down on the quarterly average for 2019.
- ▶ More notably there were 2,290 construction completions - 55% up on the quarterly average for 2019.
- ▶ There were 1,940 sales - 37% up on the quarterly average for 2019.
- ▶ 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 1.8 years at the end of 2019.

## 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 just 305 construction starts during Q1 2020 - pro-rata the year would have the lowest number of starts since 2009.
- ▶ There were 566 sales during Q1 2020 - pro-rata the year would have the lowest number of sales since 2011.
- ▶ Based on current sales rates, it would take 3.0 years to sell all units currently unsold if nothing new commences construction. This is up from 2.2 years at the end of 2019.

### Zone 2

- ▶ There were 2,050 construction starts during Q1 2020 - more than double the quarterly average for 2019.
- ▶ There were 938 construction starts during Q1 2020 - 42% down on the quarterly average for 2019.
- ▶ There were 1,100 construction completions - 32% down on the quarterly average for 2019.
- ▶ There were 1,320 sales - more than either starts or completions but 9% down on the quarterly average number of sales for 2019.
- ▶ 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

### Zones 4 to 6

1.5 years at the end of 2019 and 1.1 at the end of 2018.

## 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.

### **Sam Long and Tim Craine, 15 April 2020.**

Sam Long: 07900 682423

[sam@moliorlondon.com](mailto:sam@moliorlondon.com)

Tim Craine: 07951 742576

[tim@moliorlondon.com](mailto:tim@moliorlondon.com)



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