



# QUARTERLY ANALYSIS JULY 2021

**MOLIOR · LONDON**  
residential · development · research

Analysis by Sam Long and Tim Craine



**FRONT COVER PHOTO**

High Street Quarter, Hounslow

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High Street Quarter, Hounslow



# EXECUTIVE SUMMARY



One Crown Place, Hackney

*London's private residential development industry has delivered a significantly better set of figures during Q2 2021 than it did in Q1. Construction starts and sales rose, while construction completions were the highest in a couple of years.*

Some people may have expected this, given the stories of frenzied marketing suite activity in the run up to 30 June 2021 - the last day that buyers could take advantage of the full

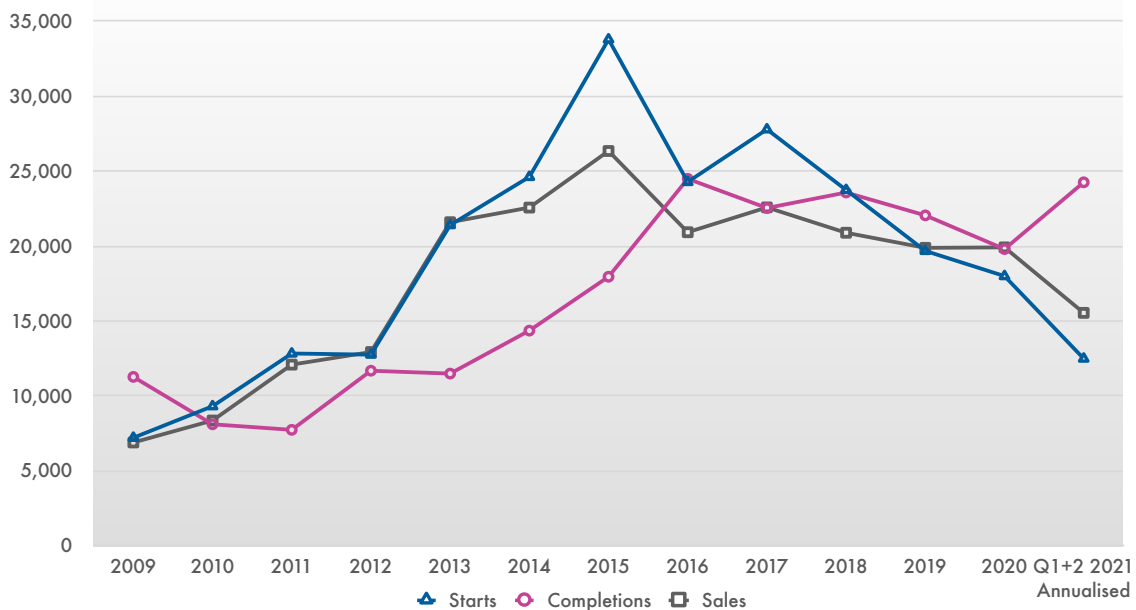
stamp duty holiday up to £500,000. Spare a thought for the construction project managers who managed to achieve the required build completions in the face of widely reported shortages of materials and manpower in recent months.

However, it would appear that the marketing suites were simply shepherding historic sales over the completion line, rather than agreeing new deals. Instead, the turnaround in the

numbers principally comes from one source: a welcome return of the BTR sector to the forefront of industry activity:

- ▶ The BTR sector accounted for almost a third of private new homes started in London during Q2 2021, compared to just 12% in Q1.
- ▶ Similarly, it also accounted for a third of new homes sold during Q2 2021, compared to just 15% in Q1.
- ▶ More than 40% of homes completed during Q2 2021 are destined for BTR rather than individual buyers.

Main Driver of Sales	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Schemes selling 12+ units	110	75	125	93	86	98
Build to Rent	2,118	976	1,583	904	534	1,366
Bulk deal	261	82	75	154	199	41
Help to Buy	1,046	461	1,391	887	1,121	1,008
Launched prior to start	291	340	377	90	271	85
Normal sales	399	257	232	186	221	278
Overseas	447	257	819	595	210	326
Switched to affordable	601	731	491	524	311	316
<b>Sub total</b>	<b>5,163</b>	<b>3,104</b>	<b>4,968</b>	<b>3,340</b>	<b>2,867</b>	<b>3,420</b>
Schemes selling <12 units	921	840	873	699	787	776
<b>Total</b>	<b>6,084</b>	<b>3,944</b>	<b>5,841</b>	<b>4,039</b>	<b>3,654</b>	<b>4,196</b>



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	6,281	4,698	5,902
2016: Q2	5,124	5,877	4,649
2016: Q3	6,980	6,740	5,001
2016: Q4	5,890	7,171	5,368
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	5,127
2018: Q3	3,645	6,356	4,206
2018: Q4	6,032	7,088	5,071
2019: Q1	5,630	4,802	4,997
2019: Q2	3,469	5,297	4,544
2019: Q3	5,149	5,889	4,527
2019: Q4	5,424	6,057	5,809
2020: Q1	4,889	5,980	6,084
2020: Q2	3,454	3,094	3,944
2020: Q3	4,918	5,153	5,841
2020: Q4	4,731	5,569	4,039
2021: Q1	2,711	5,654	3,654
2021: Q2	3,531	6,472	4,196

The three largest examples of BTR construction starts during Q2 2021 are:

- ▶ Watkin Jones' project on the former Tesco Overflow Car Park site at Conington Road just off Lewisham town centre, which has 292 private units and 30 for DMR.
- ▶ Long Harbour's Sessile Apartments being built by Berkeley Square Developments at Tottenham Hale, which has 282 private units plus 33 for DMR.
- ▶ Argent Related's King's Cross Triangle development, which has 159 private units plus 23 for DMR over two adjacent permissions.

In addition to deliberate BTR construction starts, a couple of notable late-stage BTR deals were announced during Q2 2021. Both cases involved Meadow Partners acquiring un-launched blocks approaching completion - 88 units at Redrow's Padcroft development close to West Drayton Station, and 82 units at Solum's development at Twickenham Station.

This BTR turnaround coincides with stories of a growing recovery in the lettings market, which is said to be delivering increased lease-up rates in completed projects. We look forward to seeing this feed through into lease-up data in future reports.

Putting BTR to one side, the construction starts, completions and sales numbers from the rest of the industry during Q2 2021 all remained in the same ball park as Q1. A few sales directors have gone as far as to talk about a drop in enquiries over the course of June, from both domestic and overseas applicants. However, it is hard to say whether such a drop, if it is true, is a matter for concern or simply seasonal. It could also just be the result of the industry prioritising completions over reservations at this point in time. We can say for certain that it was hard to get through to marketing suites at the end of June because, often, nobody was answering the phone.



The important points to be made here are that:

- ▶ Nobody has reported a dead sales market.
- ▶ Instead, we are often told about a 'satisfactory' flow of sales, both at home and overseas.
- ▶ Where developments have failed to make significant sales progress this may reflect a certain degree of developer obstinacy regarding pricing. Forced sellers are not a feature of the current market.
- ▶ What has been lacking is big launch activity of the sort that would have been commonplace pre-pandemic. Social distancing remains the norm at home and overseas, and long-haul flights remain a rarity.

The last point is illustrated by the 25 schemes that were launched on the open market for the first time during Q2 2021. They received a solid enough reception but, at an average of 12 units sold per launch, the numbers have not done much to move the scales.

The biggest first-launch sellers were:

- ▶ LB Bexley's Old Farm Place, where 34 units sold since launching at the beginning of April via Site Sales.
- ▶ Peabody's Arden, which sold 27 units since launching via Knight Frank in mid May.

These two projects are exceptional for Q2 2021 in terms of the number of units sold off the back of a first launch, but they illustrate a point common to a lot of current marketing campaigns: nobody is relying on a single market segment to take the overwhelming majority of sales. At Old Farm Place half of the buyers used Help to Buy, the rest did not. At Arden the mix was between overseas and local buyers and it is said that equal effort and resources

went into marketing to both segments.

Gone are the days of a token launch in London in parallel with much bigger events in the Far East. Similarly, sales offices talk increasingly of efforts made to engage buyers not reliant on Help to Buy.

Having said this, Help to Buy remains the most common theme of leading sales stories. For example, Q2's top two sales stories that do not involve BTR are:

- ▶ St George's Beaufort Park, where 45 units sold across three buildings to a mixture of overseas buyers and others using Help to Buy.
- ▶ Lifestory's Hale Works, where 45 units sold, again to a mixture of overseas and Help to Buy purchasers.

Given that Help to Buy is currently due to end in March 2023, which is now less than two years away, some people have asked whether this is starting to impact construction starts in outer areas of London. Unfortunately, the numbers do not yet provide a clear answer.

- ▶ More build-to-sell units commenced in Outer London during Q2 than during Q1.
- ▶ While most of these were in schemes small enough to complete within the required time frame, some, like Phase 1 of Taylor Wimpey's Coronation Square, will take significantly longer to build.

Much is unclear as far as the future is concerned. However, London's new homes industry does appear to be in the process of adapting to a set of market conditions much more nuanced than those experienced for much of the last decade.

## THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 649 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 drivers of sales for schemes that sold 12 or more units during the last six quarters.

## CONSTRUCTION

- ▶ 3,530 units commenced construction across London during Q2 2021, compared to 2,710 in Q1.
- ▶ BTR starts account for 32% of the Q2 total, compared to just 12% in Q1.
- ▶ Remove BTR from the equation and 2,410 starts in Q2 is not significantly different to 2,400 in Q1.
- ▶ Note, however, that Inner London is holding back the total. In Outer London there were 1,814 starts excluding BTR in Q2, compared to 1,010 in Q1.
- ▶ 6,472 units completed construction across London during Q2 2021 - this is the highest number since Q4 2018. BTR completions accounted for 42% of the total.
- ▶ 55,300 units were under construction at the end of Q2 2021 - 10% down on the end of

2020 and the lowest figure since the end of 2014.

## SALES

- ▶ 4,200 units sold across London during Q2 2021, compared to 3,650 in Q1.
- ▶ BTR, however, accounted for 33% of the Q2 total, compared to just 15% in Q1.
- ▶ Remove BTR from the equation and 2,830 sales in Q2 is less than 3,120 in Q1.
- ▶ 27,300 units under construction are unsold, which is 49% of all units currently underway.
- ▶ In addition, there are 3,110 completed unsold 'stock' units across London - 8% up on the end of 2020.

## BTR LEASE UP RATES

- ▶ 18 schemes with 50+ BTR units stabilised during the 12 months to end Q2 2019, at an average lease-up rate of 21 units per month.
- ▶ 14 such schemes stabilised during the 12 months to end Q2 2020, at an average lease-up rate of 19 units per month.
- ▶ 10 schemes stabilised during the 12 months to end Q2 2021, at an average lease-up rate of 10 units per month.

## PRICING

- ▶ The average new build completion price for a home in London in the 18 months to the end of Q2 2021 was £843 psf:
- ▶ Nine developments have completed at average prices below £400 psf

- ▶ 66 have completed at average prices between £401 and £600 psf
- ▶ 82 are between £601 and £800 psf
- ▶ 32 are between £801 and £1,000 psf
- ▶ 41 are between £1,001 and £1,500 psf
- ▶ Nine are between £1,501 and £2,000 psf
- ▶ Three are between £2,001 and £3,000 psf
- ▶ And three schemes have completed at average prices above £3,000 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 880 construction starts during the first half of 2021. Pro-rata this is about the same as 2020, which had the lowest figure since 2010.
- ▶ There were 900 sales. Pro-rata this is 20% down on 2020, which was the lowest year since 2011.
- ▶ Based on current sales rates, it would take 3.7 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 1,630 construction starts during the first half of 2021. Pro-rata this is 39% down on 2020 and is the lowest number on record.
- ▶ There were 1,450 sales. Pro-rata this is 46% down on 2020 and is the lowest number since 2009.
- ▶ Based on current sales rates, it would take 2.9 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 2,190 construction starts during the first half of 2021. Pro-rata this is 20% down on 2020 and is the lowest number since 2012.
- ▶ There were 2,610 sales. Pro-rata this is 21% down on 2020, but is just within the band of sales rates measured since 2014.
- ▶ 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 1,540 construction starts during the first half of 2021. Pro-rata this is 44% down on 2020 and is the lowest number since 2010.
- ▶ There were 2,810 sales. Pro-rata this is almost the same as both 2019 and 2020.
- ▶ Based on current sales rates, it would take 1.3 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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# CONTENTS

<b>METHODOLOGY</b>	<b>4</b>
<b>EXECUTIVE SUMMARY</b>	<b>5</b>
<b>SUB MARKETS</b>	<b>11</b>
1. Zone 1	12
2. Zone 2	14
3. Zone 3	16
4. Zones 4-6	18
<b>CONSTRUCTION</b>	<b>21</b>
5. Construction starts	22
6. Construction volumes	24
7. Construction completions	26
8. Construction without BTR	28
<b>BTR DELIVERY</b>	<b>31</b>
9. BTR construction starts	32
10. BTR construction volumes	34
11. BTR construction completions	36
12. BTR share of sales	38
13. BTR lease up rates	40
<b>BUILD TO SELL</b>	<b>43</b>
14. Sales rates	44
15. Under construction but unsold	46
16. Complete but unsold	48
17. Sales without BTR	50
<b>PRICING</b>	<b>52</b>
18. New build achieved £PSF by scheme	53
19. Recent price movements	62
20. Scheme-by-scheme asking prices	67