



QUARTERLY ANALYSIS OCTOBER 2018

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FRONT COVER PHOTO

Nine Elms Point, Lambeth

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RESEARCH TEAM

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Nine Elms Point, Lambeth



EXECUTIVE SUMMARY



Keybridge, Lambeth

The third quarter of 2018 has seen some mixed results. There have been a number of individual success stories, but they have to be picked out from a bleak wider picture - you have to go back as far as 2012 to find quarterly figures so low for both construction starts and sales.

To a certain extent much of this should be expected given that the country has recently voted twice for a period of uncertainty - both in the 2016 European Union Membership

referendum and in the subsequent general election.

However, rather than dwell on stories repeated ad-nauseam elsewhere, it seems there is more to be learnt from the successes of the last quarter:

- Developments in Underground Zone 3 and outwards have, in general, sold well.
- A number of individual schemes have sold

very well in Zones 1 and 2.

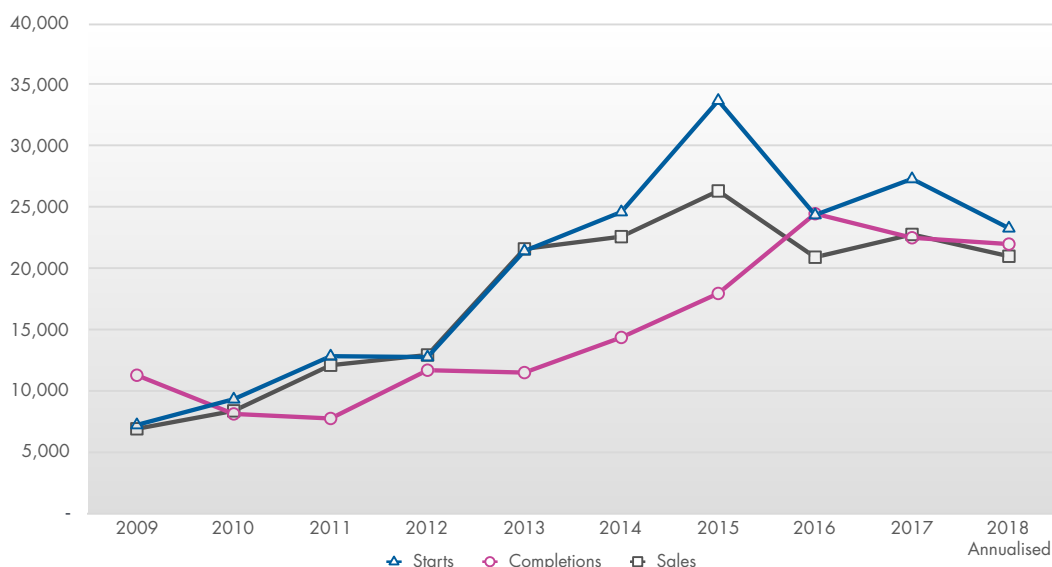
- By and large failed completions are gradually being mopped up by subsequent sales.
- The mood in the Far East seems to be that Brexit does not spell doom for London's new homes market.

Broadly speaking Zone 3 forms the most accessible ring of developments that qualify for Help to Buy and so it is not a surprise that developments should sell well there. Beyond this the initiative has been successful at drawing buyers to locations that would previously be considered somewhat pioneering. Sales figures for outer zones are also flattered by Build to Rent activity to a greater extent than Zones 1 and 2.

The individual sales successes within Zones 1 and 2 have all tended to involve a very good underlying story. For example, St James's White City Living has sold well during 2018 despite being priced north of £1,200 psf. The project benefits from association with three global brands: it is a product of the Berkeley machine, it is next to Westfield's growing

White City shopping centre, and Imperial College's extensive operations nearby promise a rich source of well-educated tenants. Stanhope's Television Centre across the road has a similarly enviable story and continues to sell steadily, even though much of the remaining availability comprises larger, more expensive, units. The project now has the added advantage of completed stock units to aid the marketing machine.

Between 2013 and 2015 the availability of large quantities of completed stock would have labelled a development as a bit of a problem case. However, many now consider finished product to be vital when selling expensive units to buyers who are less likely to be in the market for speculative reasons. Given the availability of choice it is important that building and location match the buyer's self-perceived status and are faultless. Furthermore, no amount of technical wizardry sells a good view better than the view itself. With these points in mind it is notable that prices have recently been increased for some of the best units in a select number of developments. Examples are Canary Wharf and Qatari Diar's Southbank Place, and Brookfield Europe's Principal Tower.



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	5,097	1,225	2,872
2011: Q2	2,257	2,138	2,110
2011: Q3	3,397	2,264	3,907
2011: Q4	2,069	2,100	3,193
2012: Q1	2,880	2,597	3,659
2012: Q2	2,947	3,333	2,625
2012: Q3	3,063	2,141	2,812
2012: Q4	3,858	3,603	3,823
2013: Q1	4,767	2,321	5,743
2013: Q2	4,332	2,934	4,510
2013: Q3	6,077	3,036	5,452
2013: Q4	6,246	3,188	5,885
2014: Q1	5,189	2,799	4,924
2014: Q2	6,096	4,292	5,434
2014: Q3	5,590	3,573	5,607
2014: Q4	7,734	3,688	6,627
2015: Q1	9,741	3,832	8,579
2015: Q2	7,542	3,850	6,605
2015: Q3	8,131	5,531	5,564
2015: Q4	8,304	4,735	5,581
2016: Q1	6,424	4,731	5,893
2016: Q2	5,042	5,875	4,674
2016: Q3	6,974	6,734	5,005
2016: Q4	5,927	7,128	5,339
2017: Q1	6,509	6,505	5,679
2017: Q2	7,066	4,818	5,902
2017: Q3	7,695	5,369	6,099
2017: Q4	6,044	5,809	5,093
2018: Q1	6,655	4,462	6,626
2018: Q2	7,153	5,694	4,957
2018: Q3	3,655	6,332	4,160

Given the continued absence of a compelling vision from any angle in the Brexit debate it seems unlikely that any of the UK electorate will be fully satisfied with the end result of negotiations. However, we should be thankful that many international buyers have faith in the London market and hold the view that sterling will recover somewhat from its current battered position. For them, London still has opportunities that look relatively cheap, and this is despite the added costs associated with circumventing the Chinese Government's capital outflow restriction measures imposed during late 2017.

The phrase 'units are flying off the shelves in China' has been used to describe one development's recent success and this is a story repeated less colourfully elsewhere. Two examples within walking distance of Vauxhall station are A2Dominion and Mount Anvil's Keybridge and Barratt and L&Q's Nine Elms Point, both of which sold more than 50 units during Q3 2018.

So, there are buyers in the market, but they are faced with a lot of choice and will only pay for the best on offer. Consequently, the market is very 'hit and miss'. Developers looking to commence new schemes do best if they own their corner of the market, both in terms of price and product.

THE NUMBERS

During the last few weeks Molior has interviewed the developers behind the 706 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 the previous page and table to the left show starts, completions and sales across all London local authorities since 2009.

PLANNING

- Across London planning applications have been falling since 2014 - at the current rate 40% fewer units will be applied for in 2018 compared to 2014.
- Over the same period permissions have fallen by just over 30%.
- During 2017 and 2018 so far it has taken 13 months on average to gain full consent, longer than at any time since the 2009 recession.
- Since January 2009 across London 2,566 planning permissions have been granted. Only 339 (13.2%) gained consent in 91 days or fewer ... 786 (30.6%) gained consent in 366 days or more.
- 17,000 units have commenced in total during the first three quarters of 2018 and, pro-rata, construction starts during the year are on course to be the lowest since 2013.
- 66,000 units are currently under construction in London, 21% of these are BTR.
- 16,000 units have completed during 2018 so far, 17% of these are BTR.

SALES

- 4,200 units sold during Q3 2018, the lowest quarterly amount since Q4 2012.
- 16,000 units have sold in total during the first three quarters of 2018 and, pro-rata, sales during the year are on course to be the lowest since 2012.
- A third of all sales during 2018 so far have been accounted for by BTR.

CONSTRUCTION

- 3,700 units commenced construction during Q3 2018, the lowest quarterly amount since Q3 2012.

Keybridge, Lambeth



- 46% of units currently under construction are unsold, compared to low of 34% at the end of 2014 and a high of 61% at the end of 2009.
- In addition there are 2,400 completed stock units across London - up from 1,600 at the end of 2017.

PRICING

- During Q3 2018 the average asking price in London was just under £900 psf.
- Outer London was at £660 psf while Inner London was at £1,370 psf.

SUB MARKETS

Sections 1 to 3 of the detailed report describe a number of key indicators for London, as broken down into three London Underground zone groupings.

Zone 1

- Construction starts for 2018 so far are back to 2012 levels, and have more than halved since 2015.
- Sales are 20% down on the average for 2013 to 2017.
- Based on current sales rates, it would take 2.5 years to sell all units currently under construction but unsold if nothing new commences construction. This compares to an average of 0.7 years in the period 2012 to 2014.

Zone 2

- Construction starts for 2018 so far are almost back to 2011 levels, and have fallen more than 60% since 2015.
- Sales are 30% down on the average for 2013 to 2017.
- Based on current sales rates, it would take 1.8 years to sell all units currently under construction but unsold if nothing new commences construction. This compares to an average of 0.7 years in the period 2013 to 2015.

Zones 3 to 6

- Construction starts have oscillated in recent years but for 2018 so far they are at about 2015 levels.
- Sales are 8% up on the average for 2013 to 2017.
- Based on current sales rates, it would take 1.2 years to sell all units currently under construction but unsold if nothing new commences construction. This compares to an average of 0.7 years in the period 2013 to 2015.

Any questions ...

Incredibly detailed scheme-by-scheme data 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, 16 October 2018.

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