



## QUARTERLY ANALYSIS JULY 2020

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

Analysis by Sam Long and Tim Craine

**FRONT COVER PHOTO**

Hale Works, Haringey

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Hale Works, Haringey



# EXECUTIVE SUMMARY



Lincoln Square, Westminster

*The second quarter of 2020 was far from being the disaster that many working in London's residential development industry anticipated in the early days of lockdown.*

It is true that you have to go back to 2012 to find such low numbers of construction starts and sales. It is also true that construction completions halved in Q2 compared to

Q1 2020. However, construction is now progressing again across the capital and the quarter's sales data is particularly interesting.

3,900 new homes 'sold' in London during Q2 2020. This is quite a remarkable figure given that the majority of people selling them were furloughed for much of April and May. It raises the important question of how so many units were sold under the circumstances?

Several agents have described June as their busiest month ever, but was this really the whole story?

The small table below gives some rough but clear answers to this question. It crudely summarises the 'main drivers' of sales in the top 75 selling schemes during Q2 2020, all of which sold 12+ units during April, May and June.

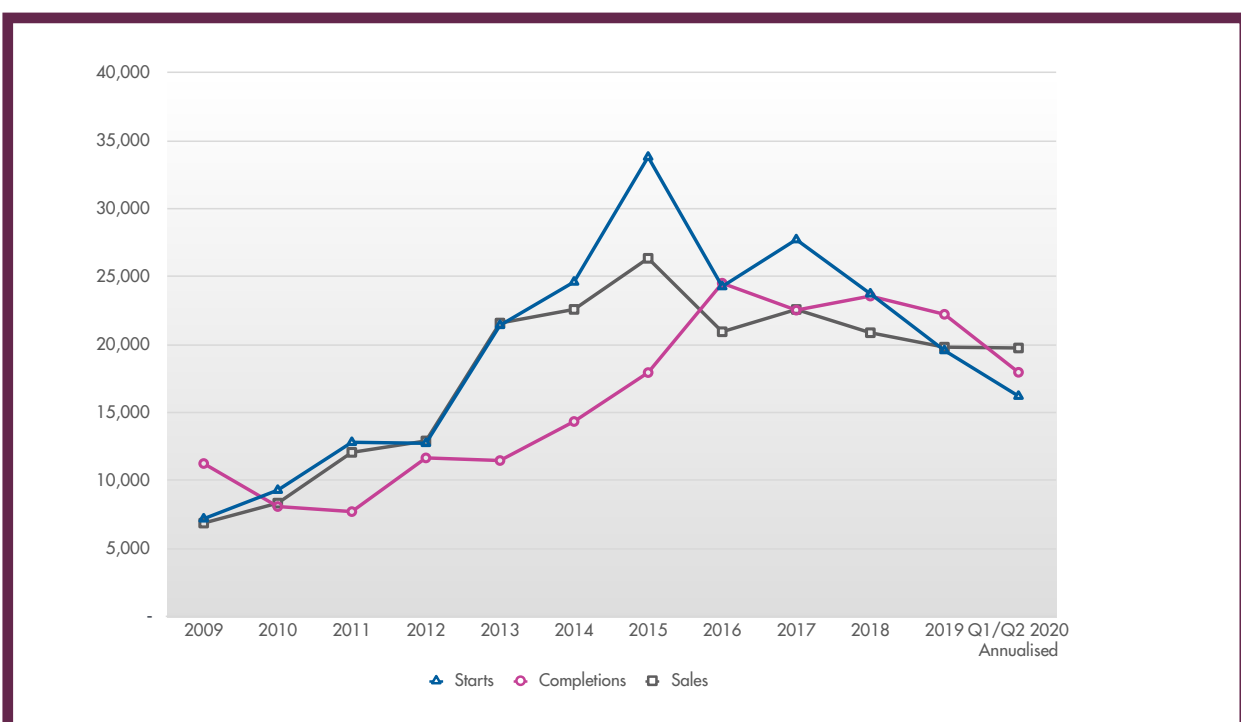
The first thing to note is that the top 75 schemes account for just over 3,150 sales, leaving the

remaining 750 sales during Q2 spread across 600 other projects. This fits the observation made by a number of people that buyer interest is focused on schemes that are either fresh to the market or close to completion. We are told that generating interest in units that are mid build programme is a tough prospect.

The next point, however, is that selling via traditional channels, including marketing suites and agency networks, is no longer the norm:

- ▶ Over half of sales logged during Q2 were not via sales staff at all - BTR was the single largest driver of sales, followed by private units being switched to affordable.
- ▶ Another 10% or so of the deals were actually agreed during Q1 2020 or even in 2019. This arises because Molior does not record sales agreed prior to construction start until piling rigs are seen on site.
- ▶ This leaves around 35% of sales coming from

Main Driver of Sales	Sales	Percent
<b>Build to Rent</b>	1,006	32%
<b>Switched to affordable</b>	731	23%
<b>Help to Buy</b>	461	15%
<b>Launched prior to start</b>	340	11%
<b>Overseas</b>	277	9%
<b>Normal sales</b>	271	9%
<b>Bulk deal</b>	68	2%
<b>Total for 75 Schemes</b>	<b>3,154</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	4,767	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
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	5,126
2018: Q3	3,645	6,356	4,351
2018: Q4	5,972	7,088	4,925
2019: Q1	5,659	4,802	4,980
2019: Q2	3,353	5,322	4,521
2019: Q3	5,155	5,919	4,672
2019: Q4	5,406	6,189	5,643
2020: Q1	4,848	5,980	5,969
2020: Q2	3,261	3,004	3,909

the virtual shop windows of London's agents and marketing suites. For these, Help to Buy has been the biggest driver, while overseas and 'normal' sales each account for less than 10% of the deals.

A few of the most important stories from Q2 2020 are:

- ▶ M&G is funding London Realty's Thornton Park, Lambeth, which includes 207 private units. M&G will take 186 private units for BTR on completion and Optivo is taking the other 21 private units to be sold to shared ownership purchasers.
- ▶ Origin Housing is delivering all 112 private units at its Deller Road project, Harrow, for shared ownership.
- ▶ The Berkeley Group launched the first phase of Oval Village, Lambeth, during February 2019 and achieved 145 sales before commencing on site during Q2 2020. 70 more private units here have been switched to affordable in a swap with later phases.
- ▶ Mount Anvil and Catalyst officially launched Verdean, Ealing, during June 2020. The scheme was marketed at home and in the Far East scoring more than 150 sales. These sales are not logged in the numbers of this report because construction has yet to start on site.
- ▶ Bellway's Fielders Quarter, Barking and Dagenham, had the biggest Help to Buy launch. The scheme was launched online during April and 44 sales were reported by mid-June. By the time we caught up with the marketing suite at the beginning of July we were told that 71 units had sold and that keeping up with the paperwork was becoming an issue.
- ▶ Meanwhile a number of schemes such as Galliard's Newham's Yard, Lifestory's Stratford

Mill and London Square's Bermondsey project have been 'taken' overseas, accounting for around 20 sales each.

The stories for Verdean and Fielders Quarter are perhaps a bit tongue-in-cheek because we get the impression that in both cases potential buyers were diligently pre-vetted and lined up over several months prior to launch. So, the events themselves were probably more an exercise in confirming the allocation of units to buyers than a first open day. However, this emphasises the new reality of marketing in a post-COVID world. Gone are the days when timewasters could simply breeze into a marketing suite unannounced. Would-be buyers now have to pass a number of checks before they are even allowed to make an appointment. We are told this generates significant quantities of due diligence but has greatly improved the conversion ratio for applicants who do make it through.

Overseas trips have of course not taken place in a literal way during Q2 2020, but developers have clearly been keen to take advantage of evident interest in China and Hong Kong. However, it has to be said that the numbers of sales involved are not spectacular in historic terms, with developers typically expecting to sell 10 to 20 units at a go in any particular scheme. Some people have questioned whether this demand may tail off as the year progresses, although the Foreign Office estimates roughly 200,000 Hong Kong citizens are set to move to the UK after Boris Johnson offered them a route to citizenship.

Purchasers looking to take advantage of Help to Buy are perhaps vulnerable in the current employment market and confidence issues may also impact on higher market segments. However, at this point in time most people in London's residential development industry are grateful to have survived this far.

## THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 677 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 Q2 2020.

## CONSTRUCTION

- ▶ 3,260 units commenced construction across London during Q2 2020 – 67% of the quarterly average for 2019.
- ▶ 3,004 units completed construction across London during Q2 2020 - 54% of the quarterly average for 2019.
- ▶ 61,800 units are under construction in London - 5% below the peak level at the end of 2018.

## SALES

- ▶ 3,910 units sold across London during Q2 2020 - 79% of the quarterly average for 2019.
- ▶ 25% of these sales are accounted for by BTR.
- ▶ 28,300 units under construction are unsold, which is 46% of all units currently underway.

- ▶ In addition, there are 3,780 completed unsold 'stock' units across London. This is slightly lower than at the end of 2019 but note that for Inner London the number of stock units has grown by 6% since the end of 2019.

## PRICING

- ▶ The average new build completion price for a home in London in the 12 months to the end of Q2 2020 was £845 psf.
- ▶ Six developments have completed at average prices below £400 psf.
- ▶ 69 have completed at average prices between £401 and £600 psf.
- ▶ 99 are between £601 and £800 psf.
- ▶ 40 are between £801 and £1,000 psf.
- ▶ 37 are between £1,001 and £1,500 psf.
- ▶ 10 are between £1,501 and £2,000 psf.
- ▶ Eight are between £2,001 and £3,000 psf.
- ▶ And two 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, broken down into four London Underground zone groupings.

### Zone 1

- ▶ There were 990 construction starts during the first half of 2020 - pro-rata the year would have

the lowest number of starts since 2011.

- ▶ There were 1,090 sales - pro-rata the year would, again, be the worst 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 2.1 years at the end of 2019.

### Zone 2

- ▶ There were 3,110 construction starts during the first half of 2020 - 77% more than 2019 pro-rata.
- ▶ There were 3,350 sales - 30% more than 2019 pro-rata.
- ▶ Based on current sales rates, it would take 1.1 years to sell all units currently unsold if nothing new commences construction. This is down from 1.5 years at the end of 2019.

### Zone 3

- ▶ There were 2,420 construction starts during the first half of 2020 - their lowest level since 2013 pro-rata.
- ▶ There were 3,020 sales - 6% up on 2019 pro-rata.
- ▶ Based on current sales rates, it would take 1.5 years to sell all units currently unsold if nothing new commences construction. This is down from 1.7 years at the end of 2019.

### Zones 4 to 6

- ▶ There were 1,580 construction starts during the first half of 2020 - the lowest number since 2014 pro-rata.
- ▶ There were 2,290 sales - the lowest number

since 2012 pro-rata.

- ▶ Based on current sales rates, it would take 1.8 years to sell all units currently unsold if nothing new commences construction. This is up from 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.

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