

# QUARTERLY ANALYSIS : PRS

Analysis by Sam Long, November 2016

For residential market experts  
[www.moliorlondon.com](http://www.moliorlondon.com)

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

## 2,900 PRS UNITS ...

completed in the first three quarters of 2016 and half of those were in Q3 alone.



Canterbury House, Croydon

# EXECUTIVE SUMMARY

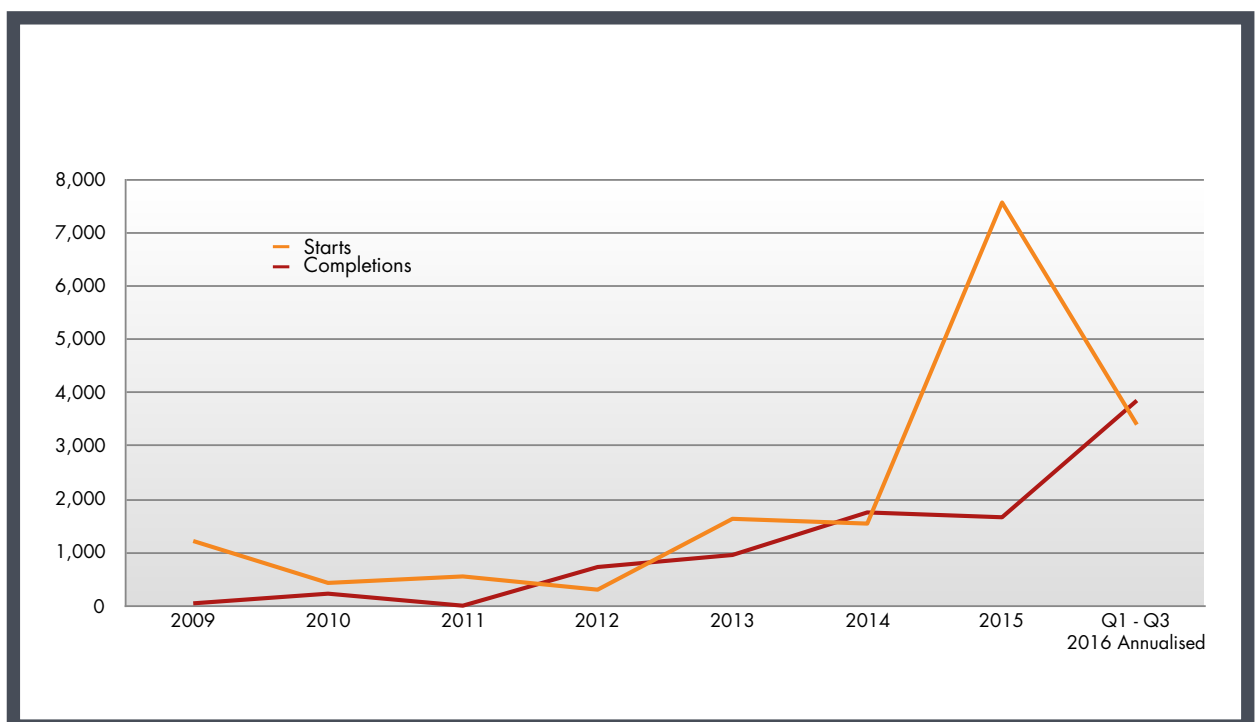
## section one

*The number of complete new-build PRS units in London increased by more than 50% over the first three quarters of 2016 - almost 2,900 PRS units completed between January and*

*September and half of those were in Q3 alone.*

While this is impressive in the context of London's emerging PRS development sector, many

**FIGURE 1 : PRS STARTS AND COMPLETIONS SINCE 2009**



commentators will point out that such a figure is just a drop in the ocean of London's housing demand. However, it is a drop that has splashed particularly heavily on some locations.

Croydon and Harrow town centres are good examples where clusters of PRS developments are now competing for potential residents, giving letting agents much to talk about.

In Croydon a number of broadly similar GPDO office-to-residential conversions have come to the market in Q2 and Q3. The result seems to be that rents and absorption rates have not kept up with original projections. Price competition has been hot and studios are drawing applicants away from 1-bed units.

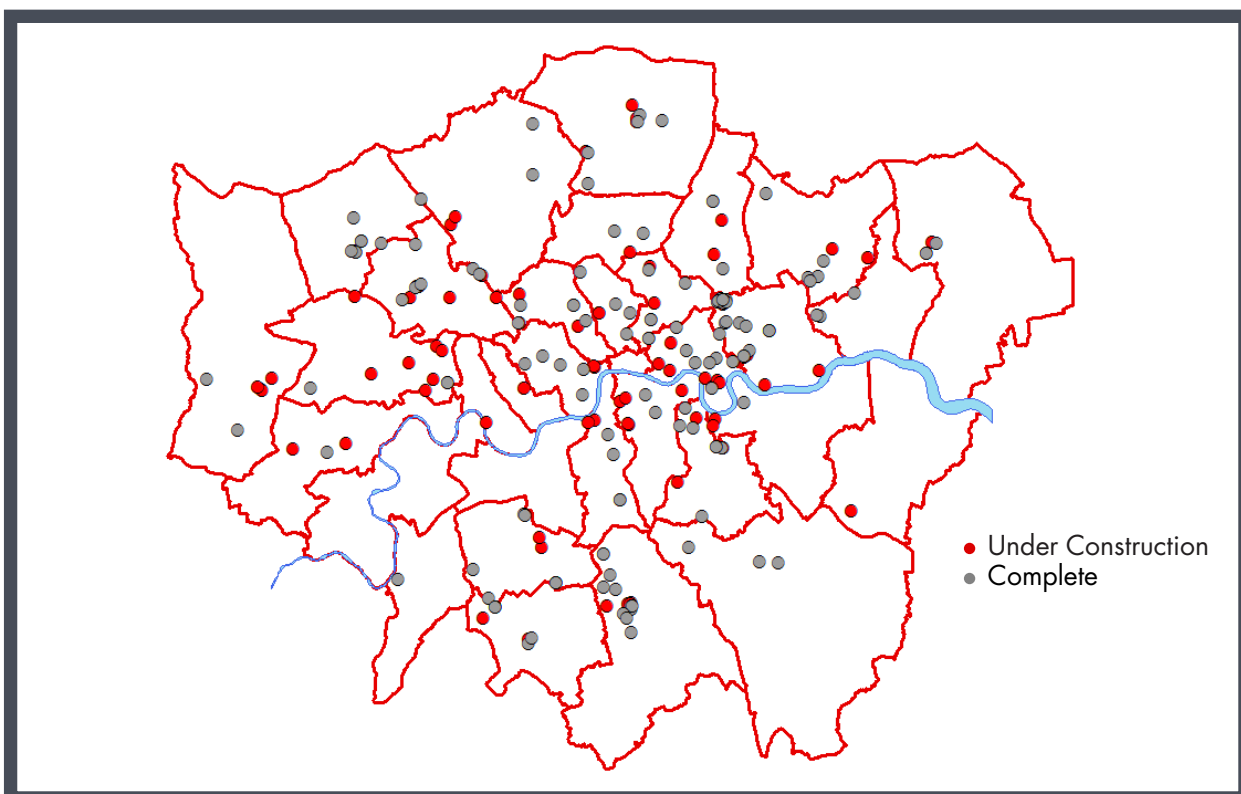
Meanwhile Harrow has a greater variety of schemes, some of which offer a genuinely higher level of product and service. But even for the more highly specified schemes we are told that applicants

are choosing price and convenience over facilities or the operator's brand.

The opportunity to make a choice between neighbouring branded and 'vanilla' new-build PRS blocks will soon exist in a number of locations and there is an expectation that the many potential residents will not look much further than price in these scenarios. Such thoughts mean that a number of PRS operators, particularly some of the earlier entrants to the sector, feel vindicated in not procuring purpose-designed private rental stock.

However, this does not mean that there is no room for distinctive purpose-designed PRS schemes. Essential Living's Vantage Point at Archway has been completed to an exacting specification and offers a full range of residents' facilities. It is also priced at a significant premium to its closest new-build competitors and was launched in late August 2016, letting at a rate of a unit a day over the following month. Key to this success has been a

## MAP 1 : PRS SCHEMES - UNDER CONSTRUCTION AND COMPLETED



drive to look beyond what would normally be considered the development’s catchment area and to actively source applicants who are interested in the scheme’s niche offer.

Vantage Point may be a good example of a premium development, but its new façade and finishes conceal a GPDO office-to-residential conversion, which is in keeping with the vast majority of PRS developments that completed in Q3 2016. Such conversion projects now account for a third of PRS units finished since 2009, but they have not formed quite such a significant component of new PRS construction starts since the relaxation of the GPDO completion deadline in October 2015.

Instead, the PRS construction pipeline has been more reliant on other sources of replenishment and Molior’s database contains a diverse range of recent examples, from the forward purchase of standard stock under construction to more deliberate development from scratch. It remains to be seen whether much-discussed weaknesses in the sales

market will significantly affect the PRS delivery rate via these routes, for better or for worse.

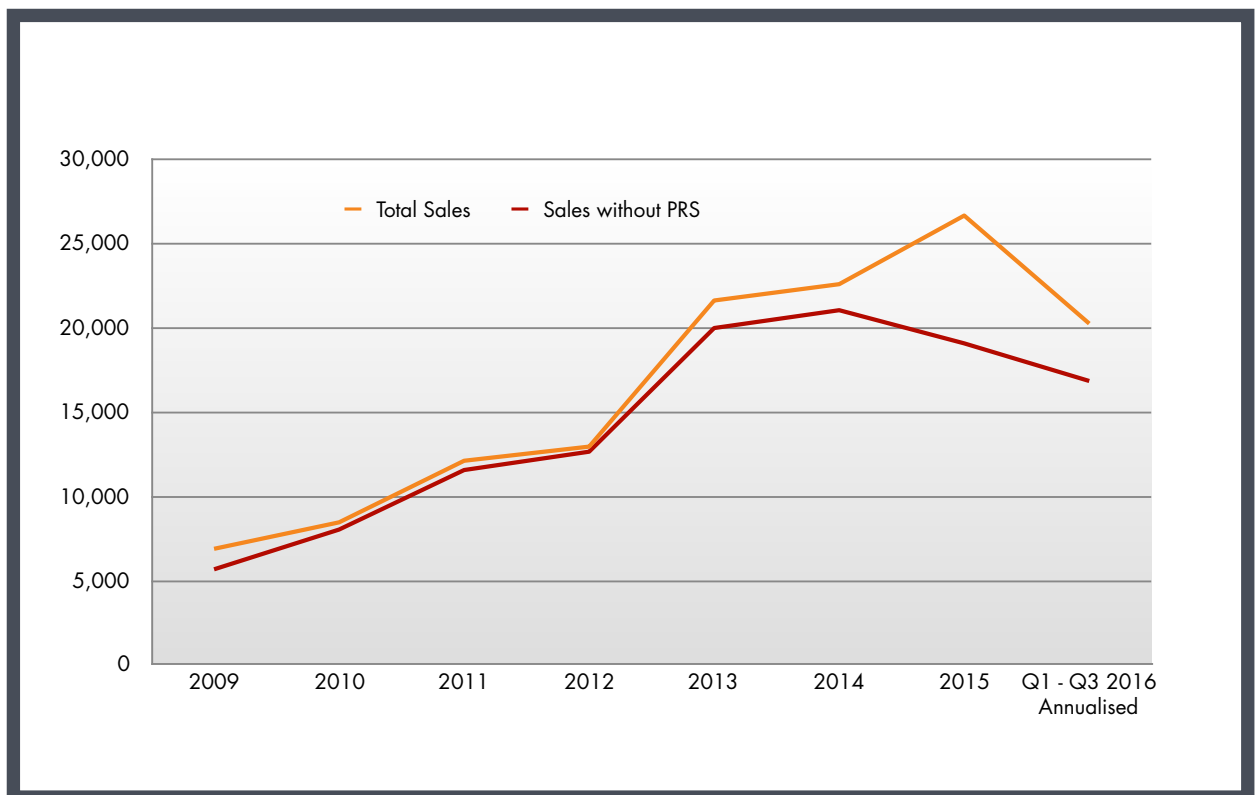
In the meantime the number of new PRS construction starts has wavered during 2016 and has fallen below the exceptional levels of 2015. Nevertheless PRS construction starts for the year so far have remained stronger than in the years before 2015 and, if anything, showed an up-tick in Q3.

### KEY STATISTICS

This document provides an overview of London’s committed PRS pipeline – Each PRS development described:

- ▶ Is under construction or is complete.
- ▶ Has 20 or more PRS units.
- ▶ Is – or on completion will be – owned and

**FIGURE 2 : PRIVATE SALES SINCE 2009 - WITH AND WITHOUT PRS**



managed as an unbroken block.

- Is recent: schemes completed before 2009 are not included.

Table 1 and Figure 1 show PRS construction starts and completions since 2009. Map 1 shows where the relevant schemes are located.

## PRS WITHIN THE CONTEXT OF THE WIDER MARKET

Figure 2 is included to illustrate the impact that PRS is having on the wider industry. It shows the total number of private sales each year – both with ‘sales’ to PRS and without. We have counted ‘sales’ to PRS at the point of construction start for the relevant units.

- In 2015 PRS accounted for 28% of all sales but, as Figure 1 shows, 2015 was an exceptional year for PRS starts.
- In the first three quarters of 2016 PRS has accounted for 17% of all sales, which is lower than 2015 but compares with an average of 5% between 2010 and 2014.
- In 2009 PRS accounted for 18% of all sales, which is high because the numbers include the Olympic Village, now East Village.

## CONSTRUCTION

- 2,550 PRS units started in Quarters 1 to 3 of 2016. This equates to an average of 850 units per quarter, which is less than half the quarterly average in 2015 (1,895 starts/quarter), but is still more than double the quarterly average over 2013 and 2014 (400 starts/quarter).

**TABLE 1 : PRS STARTS AND COMPLETIONS SINCE 2009**

Period	Starts	Completions
2009: Q1	-	-
2009: Q2	1,216	44
2009: Q3	-	-
2009: Q4	-	-
2010: Q1	224	-
2010: Q2	-	-
2010: Q3	94	166
2010: Q4	110	60
2011: Q1	87	-
2011: Q2	227	-
2011: Q3	63	-
2011: Q4	173	-
2012: Q1	-	138
2012: Q2	48	362
2012: Q3	73	55
2012: Q4	180	172
2013: Q1	193	132
2013: Q2	288	149
2013: Q3	353	422
2013: Q4	799	250
2014: Q1	123	369
2014: Q2	253	880
2014: Q3	319	399
2014: Q4	848	105
2015: Q1	3,354	179
2015: Q2	1,809	326
2015: Q3	1,067	728
2015: Q4	1,349	429
2016: Q1	1,299	802
2016: Q2	423	640
2016: Q3	831	1,450

- At the end of Q3 2016 there were 8,800 PRS units under way in 86 developments across London. This is 4% lower than at the end of 2015.

- PRR currently accounts for 14% of all private housebuilding in London, which is slightly down on the record of 15% set at the end of 2015.

## COMPLETED SCHEMES

- 2,890 PRR units completed in Quarters 1 to 3 of 2016. This equates to an average of 960 units per quarter, which is three times the quarterly average of 320 completions from the beginning of 2012 to the end of 2015.
- At the end of Q3 2016 there were 8,260 completed PRR units in 124 developments across London.
- GPDO schemes account for a third of all PRR units completed since 2009.

## COMPANIES

Based on schemes under construction and completed, the top five PRR companies (the owners) are:

1. Delancey with APG and Qatari Diar - 2,290 units
2. L&Q PRR - 1,670
3. Canary Wharf Group – 1,110
4. Criterion Capital / Miflats - 1,100
5. M&G - 710

On the same basis the top five PRR developers (the builders) are:

1. Olympic Delivery Authority - 1,440 units
2. Canary Wharf Group - 1,110
3. Criterion Capital - 1,100
4. Delancey with APG and Qatari Diar - 860
5. London & Quadrant Housing Trust - 840

More detailed company listings are provided in Sections 3 and 4, together with a similar listing for property managers.

Section 5 summarises rental data collected for completed schemes.

Molior's online database provides full details of all the developments described in this report plus 80 more that have yet to start on site, including 17,300 permitted PRR units, 3,420 at application stage and 2,310 pre-planning.

My mobile number is below; if you have any questions whatsoever, please do not hesitate to call.

**Sam Long 21<sup>th</sup> November 2016**

**Sam: 07900 682423 e: [sam@moliorlondon.com](mailto:sam@moliorlondon.com)**

# CONTENTS

## sections, maps, figures and tables

<b>METHODOLOGY</b>	3
<b>1. EXECUTIVE SUMMARY</b>	5
<b>2. CONSTRUCTION</b>	11
<b>3. COMPLETIONS</b>	15
<b>4. RENTS</b>	19
<b>5. COMPLETED PRS SCHEMES IN DETAIL</b>	27
<b>MAPS, FIGURES, TABLES</b>	
Map 1 : PRS schemes - under construction and completed	6
Figure 1 : PRS starts and completions since 2009	5
Figure 2 : Private sales since 2009 - with and without PRS	7
Figure 3 : PRS units under construction	12
Figure 4 : Cumulative PRS completions since 2009	15
Table 1 : PRS Starts and completions since 2009	8
Table 2 : PRS starts since 2009	14
Table 3 : PRS completions since 2009	17
Table 4 : PRS schemes lost in the last 12 months	18
Table 5 : Rents in completed PRS schemes	22



### FRONT COVER PHOTO

Vantage Point, Islington  
Photographer: Amanda Denny

### DISCLAIMER

We endeavour to employ high standards when preparing reports, analysis, data and events. However they are intended to provide general information only and no legal responsibility can be accepted for any loss or damage resultant from their contents. While every effort is made to avoid errors, information is subject to continuous change and we are therefore unable to guarantee the accuracy or completeness of data provided, and cannot be held responsible for any errors or omissions.