



QUARTERLY ANALYSIS JANUARY 2020

MOLIOR • LONDON
residential • development • research

Analysis by Sam Long and Tim Craine

FRONT COVER PHOTO

Wood Wharf One Park Drive, Tower Hamlets

Photographer: Amanda Denny

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Wood Wharf One Park Drive, Tower Hamlets



EXECUTIVE SUMMARY



White City Living, Hammersmith & Fulham

2019 cannot be described as a vintage year for London's residential development industry: construction starts, completions and new homes sales were all down. Despite this, there are now grounds for hope.

On the downside:

- The number of unsold completed stock units is growing, particularly in Outer London. Units that do not qualify for Help

to Buy are proving hard to shift.

- The number of schemes where construction has stalled is growing. Usually the projects involve smaller developers, and this raises questions regarding the due diligence carried out by the projects' funders.
- In developments where units are completing faster than marketing suites can sell them there are several examples of last-minute bulk deals and changes to a

rental strategy.

However, the starts, completions and sales numbers for the final quarter show a marked improvement over the rest of the year. The sales rate in the final quarter of 2019 demands particularly close attention - it was on a par with the average across 2017, which was the second-best year on record. No wonder London's selling agents are noticeably more upbeat than they were this time last year.

The election result is certainly positive, and there are stories of top-end exchanges that depended on it, but to call this a 'Boris Bounce' would be premature.

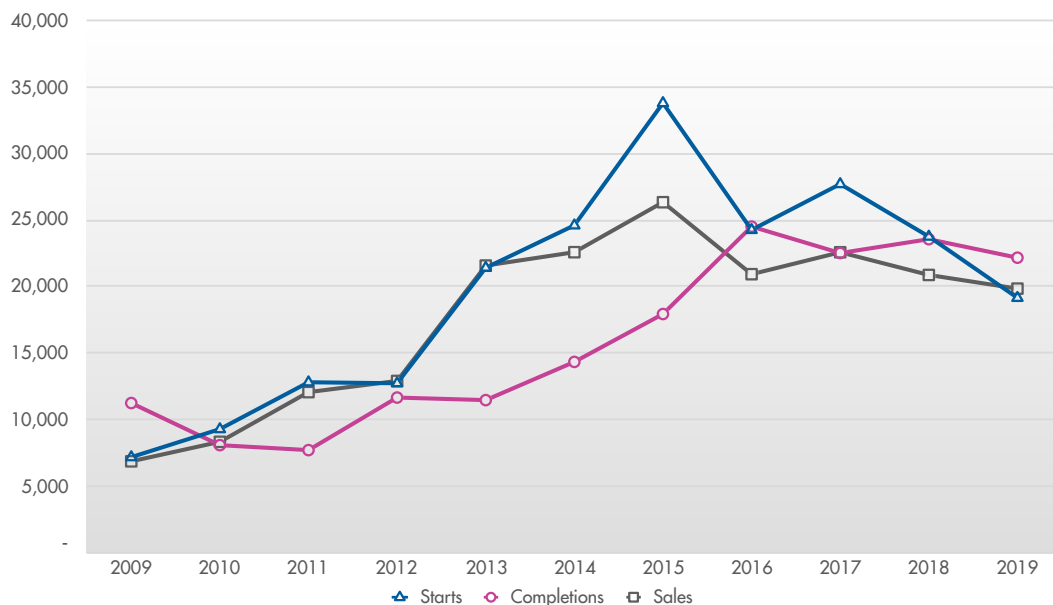
A 'BTR Bounce' might be more appropriate - 31% of Q4 2019 sales were taken by the BTR sector. This is a much higher share than in previous quarters and is partly because slow sales rates have forced some developers to rent unsold units.

There have also been some notable examples where private units have been switched to affordable when marketing results fall short.

Nevertheless, several straightforward good sales stories have emerged during the quarter. Help to Buy has been described as a major driver of success in many, including:

Main driver of sales	Schemes	Sales
BTR	16	1,965
Help to Buy	53	1,233
Overseas	20	570
Switched to affordable	6	490
Normal sales	19	309
Bulk deal	4	123
Launched prior to start	1	90

- Bellway's St George's Park, RM12, which launched at the beginning of November 2019 and notched up 46 sales by Christmas. We are told that some buyers even camped overnight to secure a reservation.
- 200 units sold at Taylor Wimpey's Eclipse, E17, over the course of 2019. However, as a consequence, 30 private units are now being delivered as affordable in line with the project's



late stage s106 viability review process.

- Linden Homes launched Brunel Street Works, E16, in mid-October 2019 and 55 units had sold by the end of the year through both individual sales and a number of small bulk deals.

Overseas sales have been another source of joy and it feels that the new-homes desks of some firms are currently staffed by skeleton teams while the main fee-earners are abroad. The overseas demand is predominantly in Hong Kong and a wider

international spread would feel more secure. The following three projects saw both strong domestic and overseas sales during the final quarter of 2019.

- Berkeley's West End Gate, W2, saw 63 sales during Q4 2019, including a number of small bulk purchases.
- Mount Anvil's Three Waters, E3, had 51 sales.
- Barratt's Western Circus, W3, had 37 sales.

In a number of further cases significant sales

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	6,097	4,292	5,434

Period	Starts	Completions	Sales
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	5,604
2016: Q1	6,273	4,731	5,894
2016: Q2	5,124	5,875	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	7,103	4,818	5,950
2017: Q3	7,595	5,398	5,960
2017: Q4	6,518	5,821	5,095
2018: Q1	6,659	4,462	6,475
2018: Q2	7,438	5,665	5,148
2018: Q3	3,645	6,356	4,351
2018: Q4	6,025	7,086	4,909
2019: Q1	5,656	4,802	4,917
2019: Q2	3,517	5,322	4,522
2019: Q3	4,718	5,902	4,733
2019: Q4	5,275	6,153	5,684

momentum has been regained by simply cutting prices. This is possibly a pragmatic approach for developers who would like to move on to new projects and who did not overcook their original development appraisals.

So, circumstances are seen to be moving in the right direction and it feels like a corner has been turned. Possibly now is a good time for a spring clean to get rid of mispriced units and get ready for some fun. Even some of the industry's most cynical old hands have hinted that they are starting to consider dipping their toes into the murky water of London's land market for the first time in years.

THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 669 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 long table on the 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 Q4 2019.

CONSTRUCTION

- 5,280 units commenced construction across London during Q4 2019 - the average over the previous three quarters was 4,630.
- 6,150 units completed construction across London during Q4 2019 - the average over the previous three quarters was 5,340.
- 62,300 units are currently under construction in

London - about 5% off the levels at the end of 2017 and 2018.

- There are now 27 developments, containing a total of 2,390 units, where construction has stalled.

SALES

- 5,680 units sold across London during Q4 2019 - the average over the previous three quarters was 4,720.
- 1,740 of the sales during Q4 2019 (31%) were accounted for by BTR - the proportion over the previous three quarters was 24%.
- 29,500 units under construction are unsold, which is 47% of all units currently underway.
- In addition, there are 3,900 completed unsold 'stock' units across London - up from 2,710, at the end of 2018. In Outer London the number of unsold stock units almost doubled during 2019 - from 1,150 to 2,250.

PRICING

- The average new build completion price for a home in London in 2019 was £831 psf.
- 17 developments have completed at average prices below £400 psf.
- 114 have completed at average prices between £401 and £600 psf.
- 125 are between £601 and £800 psf.
- 42 are between £801 and £1,000 psf.
- 41 are between £1,001 and £1,500 psf.

- 15 are between £1,501 and £2,000 psf.
- Nine are between £2,001 and £3,000 psf.
- And five 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 2,440 construction starts during 2019 - the lowest since 2011.
- There were 3,170 sales - higher than 2018, but lower than every other year since 2012.
- Based on current sales rates, it would take 2.2 years to sell all unsold units if nothing new commences construction. This is down from 2.8 years at the end of 2018.

ZONE 2

- There were 4,000 construction starts during 2019 - again, the lowest since 2011.
- There were 5,230 sales - the lowest since 2012 but still comfortably ahead of construction starts.
- Based on current sales rates, it would take 1.5 years to sell all unsold units if nothing new commences construction. This is down from 1.7 years at the end of 2017.

ZONE 3

- There were 6,250 construction starts during 2019 - 31% down on the 2017 peak.

- There were 5,700 sales - almost bang on the average for 2014 to 2018.
- Based on current sales rates, it would take 1.7 years to sell all unsold units if nothing new commences construction. This is down from 1.8 years at the end of 2018.

ZONES 4 TO 6

- There were 6,480 construction starts during 2019, down from 8,200 during 2018.
- There were 5,760 sales - about the same as most years since 2013.
- 13,700 units are underway and 53% of these are unsold, which matches 2018.
- There are 1,480 unsold completed stock units almost twice the number at the end of 2018.
- Based on current sales rates, it would take 1.5 years to sell all unsold units if nothing new commences construction. This is sharply up from 1.1 years 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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