



## QUARTERLY ANALYSIS OCTOBER 2019

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

Analysis by Tim Craine



**FRONT COVER PHOTO**

The Brentford Project, Hounslow

Photographer: Amanda Denny

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The Brentford Project, Hounslow



# EXECUTIVE SUMMARY



Ninety Five Peckham Road, Southwark

*This is the 44th edition of Molior London's quarterly review and the market remains diverse. Overseas sales volumes rose somewhat during Q3 2019, Build to Rent schemes are becoming much rarer than just a few years ago and Help to Buy is motoring steadily but not roaring away.*

The small table on the next page summarises the main drivers of sales across the 80 schemes that sold 12 or more units during Q3 2019. We estimate that overseas sales,

BTR and Help to Buy were responsible for two thirds of the 5,150 sales in London during the last three months.

Political unrest in Hong Kong is providing willing buyers for overseas launches. We are told the buyers are both Hong Kong residents (who prefer completed stock) and residents of the mainland with wealth held in Hong Kong (who apparently prefer off plan stock). Depending where you start measuring, the pound is 15% cheaper than it was a year

or two ago, and could rise if and when Brexit is resolved.

After several years waiting for Inner London values to recover, volume builders, wanting to get a move on with schemes, are being pragmatic about discounts. The combination of willing buyers and willing sellers makes for successful overseas launches. However not just any old stock will sell, it's got to be a solid product at a price that offers good value. If developers cut corners on quality or push the pricing, sales falter.

Build to Rent in the capital is a dwindling

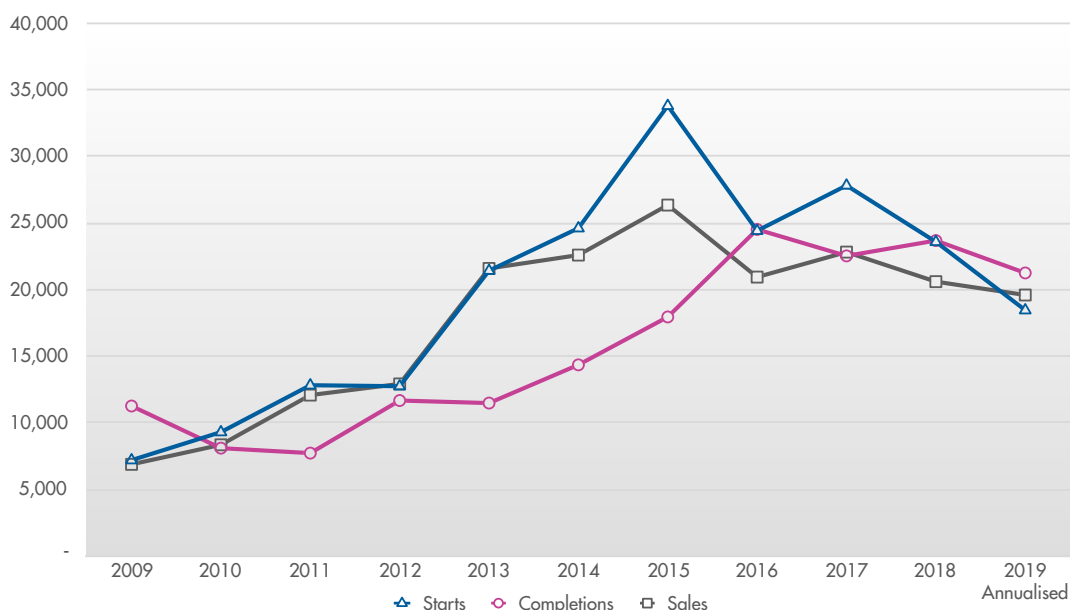
marketplace. Construction starts are down, and new activity is dominated by a few big schemes. Buyers of BTR stock are very precise in terms of what they want and the returns they need. London is currently less able to accommodate the big funds' needs than regional cities. Hence the flurry of press releases about BTR in places like Bristol, Manchester and Leeds.

It is very surprising that we didn't find more bulk (non-BTR) deals during our quarterly research. We understand there is no shortage of bulk units being offered for sale by smaller developers with expensive funding.

Main driver of sales	Units	Schemes
<b>BTR</b>	1,338	9
<b>Overseas sales</b>	993	13
<b>Help to Buy</b>	980	42
<b>Switched to affordable</b>	672	4
<b>Bulk sales</b>	161	1
<b>Launched prior to start</b>	138	3
<b>Normal sales</b>	128	8

At the very top end of the market there is a sense that availability is shrinking, that prices have perhaps bottomed out and could even be recovering. We are told buyers can now see value, and are fed up with waiting for Brexit or a general election.

In Zone 2, sales rates are twice the level of construction starts and this makes for a rapidly improving risk profile.



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
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	6,424	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	5,673
2017: Q2	7,096	4,818	5,957
2017: Q3	7,595	5,398	5,975
2017: Q4	6,631	5,821	5,211
2018: Q1	6,655	4,462	6,452
2018: Q2	7,304	5,665	4,957
2018: Q3	3,645	6,356	4,345
2018: Q4	5,981	7,199	4,843
2019: Q1	5,671	4,798	4,966
2019: Q2	3,526	5,314	4,574
2019: Q3	4,646	5,825	5,156

## THE NUMBERS

During the last few weeks Molior London has interviewed the developers behind the 689 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 adjacent show starts, completions and sales across all London local authorities since 2009.

## CONSTRUCTION

- ▶ 4,646 units commenced construction across London during Q3 2019 – the quarterly average for the previous year was just over 4,700 units.
- ▶ 5,825 units completed construction across London during Q3 2019 – the quarterly average for the previous year was about 5,900 units.
- ▶ 63,207 units are currently under construction in London – this has remained flat-ish since 2015, but compares to just 16,800 units at the end of 2009.

## SALES

- ▶ 5,156 units sold across London during Q3 2019 – the quarterly average for the previous year was just under 4,700 units.
- ▶ 30,223 units under construction are unsold, which is 48% of all units currently underway.
- ▶ In addition, there are 3,131 completed unsold 'stock' units across London - up from 2,712, 1,621 and 1,120 at the ends of 2018, 2017 and 2016 respectively.



## PRICING

You'll have noticed 24,600 HM Land Registry achieved prices have been added to the Molior database since the start of 2018. We have also been looking at sales prices and volumes in the non-new build market. Our goal is to produce a tool to help you predict selling prices and selling volumes for any London development scheme.

The new pricing tool should be available towards the end of November. In the meantime, there is summary pricing information later in this report:

- ▶ Across London, 2019 second hand achieved prices are 17% higher than in 2014, but 2% below 2016 prices – so there was a 19% rise between 2014 and 2016 and a 2% drop since then.
- ▶ However, there are big variations across London – selling prices in Romford are up 40% since 2014 whilst Land Registry indicates prices in EC1 have fallen 21% during the last five years.

The average new build completion price in London so far in 2019 is £827 psf:

- ▶ Eight developments have completed at average prices below £400 psf.
- ▶ 78 have completed at average prices between £401 and £600 psf.
- ▶ 86 are between £601 and £800 psf.
- ▶ 34 are between £801 and £1,000 psf.
- ▶ 29 are between £1,001 and £1,500 psf.
- ▶ Ten are between £1,501 and £2,000 psf.
- ▶ Five are between £2,001 and £3,000 psf.
- ▶ And three schemes have completed at average prices above £3,000 psf.

Ballymore's Brentford development had the best launch of Q3 2019. Demolition is underway for the first phase which commences construction

towards the end of Q4 2019. This phase includes 311 private units and completions will run from Q3 2021. The scheme launched in the UK on September 5th 2019 and then went to Hong Kong, China and Singapore ... 120 units had sold by the end of Q3 2019. Asking prices average £850psf.

## SUB REGIONS

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

- ▶ There were 2,442 construction starts during the first nine months of 2019 – 22% up pro-rata on 2018.
- ▶ Sales are also up pro-rata against 2018 – there were 2,518 sales during the first nine months of 2019.
- ▶ Based on current sales rates, it would take 2.3 years to sell all units currently unsold if nothing new commences construction. This is down from 2.8 years at the end of 2018.

### ZONE 2

- ▶ There were 1,868 construction starts during the first nine months of 2019 – a substantial fall since 2018 and continuing a four-year downward trend.
- ▶ There were 4,003 sales during the first nine months of 2019 – down about 7.5% pro-rata against 2018 but still comfortably ahead of construction starts.
- ▶ 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 1.6 years at the end of 2018.

## ZONES 3 TO 6

- There were 9,533 construction starts during the first nine months of 2019 – 20% down pro-rata against 2018.
- Sales are also down pro-rata against 2018 – by 9%. There were 8,175 sales during the first nine months of 2019.
- Based on current sales rates, it would take 1.7 years to sell all units currently unsold if nothing new commences construction. This is up from 1.4 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.

My contact details are below - if you have any questions whatsoever, please do not hesitate to get in touch.

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