JLL

WAITING GAME

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With the general election just around the corner, how is this affecting Central London developers and the residential sales market?

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UK Research, March 2015
Central London Development
jll.co.uk/residential

RESIDENTIAL

OUR VIEW

WAITING GAME

Central London developers are waiting on the outcome of the general election as they see it as key to their businesses. Parts of the sales market are waiting too. It is still busy below £1m but has quietened between £1.5m and £5m.

Election centre stage

The general election has been impacting on the Central London residential sales market since mid-2014, but activity has picked up during the first few months of 2015.

The Stamp Duty reforms, as well as the threat of Labour's Mansion Tax, have meant a shift in activity and attention down the value curve. Some potential purchasers above the £2m threshold are deferring decisions until after the election.

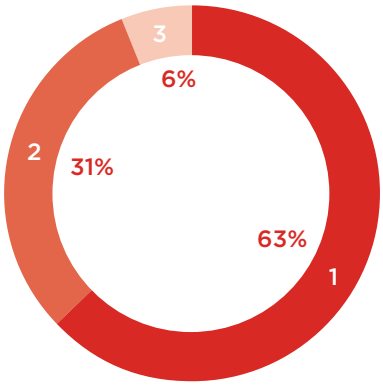
Despite the external influences there continues to be strong fundamental and underlying demand for London residential property.

Developer opinion

In terms of housing policies, there is much broad agreement between the main political parties although they are quite different on some key points, including the Mansion Tax. All parties agree that we are not building enough homes and have various suggestions as to how this should be tackled. Importantly, there is no mention that anyone will curtail the influential Help to Buy Equity Loan scheme before its currently scheduled close in 2020.

JLL RESIDENTIAL RESEARCH
NEIL CHEGWIDDEN

HOW IMPORTANT IS THE GENERAL ELECTION TO YOUR BUSINESS?



1 Very important
2 Quite important
3 Not very important

Significantly, Central London developers believe that the outcome of the general election is more important to their businesses than the London Mayoral election next year. 88% thought the general election was more important.

We also asked how important housebuilders thought the general election was to their operations. 63% said that it was very important, 31% quite important, with only 6% claiming it holds little significance.

With much general agreement on policies, perhaps we can conclude that developers' opinions are more to do with broader politics and the effect on consumer sentiment than on housing policies specifically.

This is our #NewResidentialThinking
Join the discussion on twitter @NeilChegwidden / @Adam_Challis / @JLLUKResi

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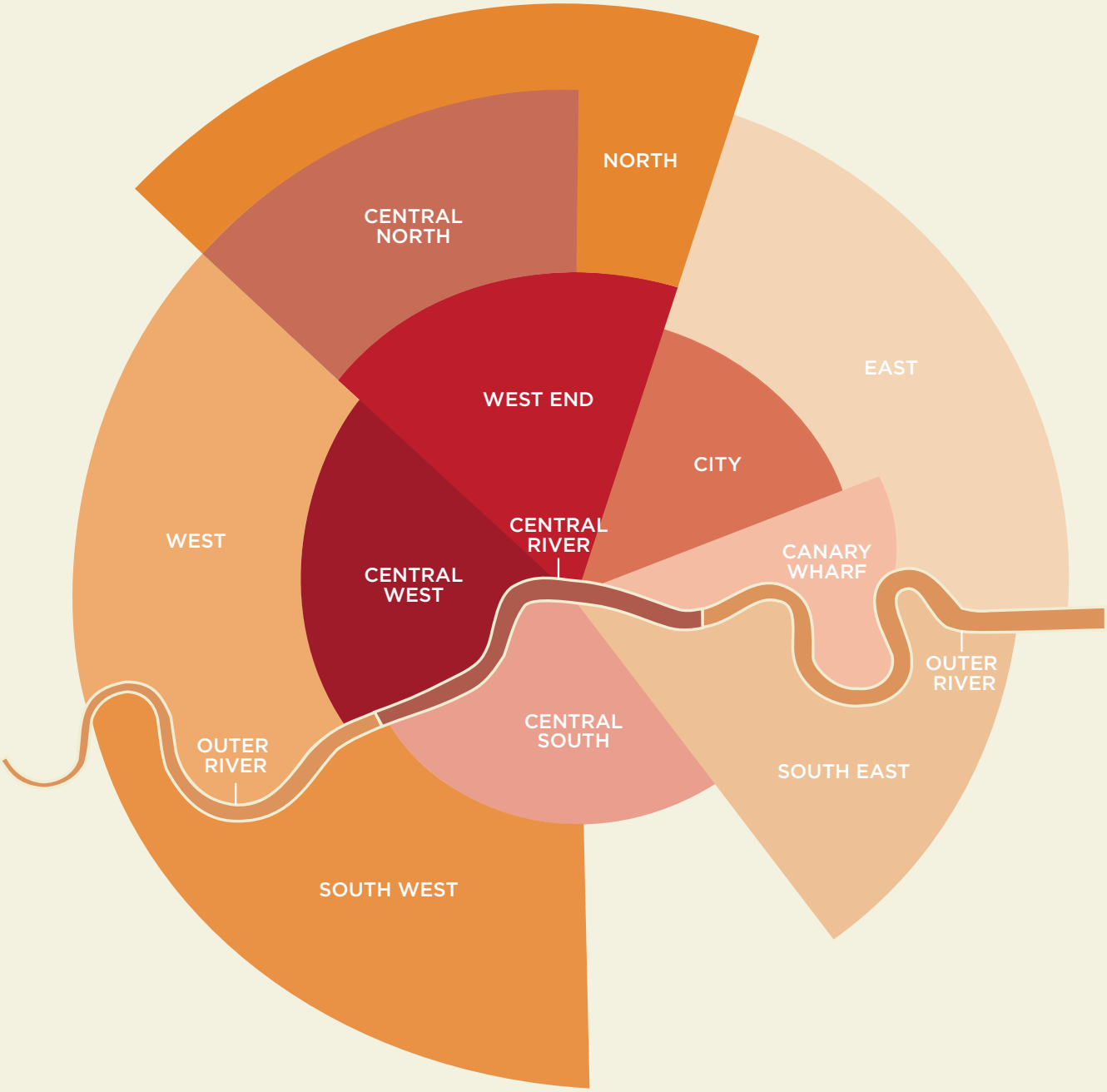
JLL CENTRAL LONDON DEVELOPMENT RESEARCH

AREAS AND PRICE RANGES



Source: JLL

Outer Core value

The Central London sales market quietened down during the second half of 2014 with price growth minimal in most sub-markets.

Prices continue to vary hugely across London, but with purchasers increasingly looking for value it is the Outer Core markets that are witnessing higher demand and price growth at present.

Across Central London, prices can be upwards of £6,000 psf in some locations, but below £450 psf in others, especially in parts of the East and South East sub-markets. Interestingly, however, these are the most active development zones.

JLL research parameters

JLL Central London residential development research covers the areas depicted in the map shown. Broadly speaking this covers Underground Zones 1 and 2. Within this area we define two main sub-groups; Core and Outer Core. The various shades of red in the map show the Core areas, while the orange regions are Outer Core. The table below shows the range of typical values within each area.

In Core markets we track developments of 25 or more private units, and in Outer Core the threshold is 50 units.

CENTRAL LONDON NEW DEVELOPMENT SUB-MARKET PRICING (£PSF)

	MAXIMUM	AVERAGE	MINIMUM
CENTRAL WEST	£6,250	£1,750	£950
WEST END	£4,000	£1,650	£900
CENTRAL RIVER	£3,500	£1,500	£1,000
CITY	£3,000	£1,300	£850
CENTRAL SOUTH	£3,500	£1,250	£850
CENTRAL NORTH	£2,600	£1,250	£800
CANARY WHARF	£1,100	£850	£600
OUTER RIVER	£1,050	£800	£550
NORTH	£1,250	£750	£550
SOUTH WEST	£1,200	£700	£550
WEST	£1,100	£675	£500
SOUTH EAST	£900	£650	£450
EAST	£850	£625	£450

CORE OUTER CORE

Source: JLL

SEEKING VALUE

The Central London new development sales market has picked up during the early part of 2015, especially for lower value units, but the market remains a little subdued in the shadow of the upcoming general election. However, the market is still deceptively strong. A key trend is greater development and sales activity away from the central and higher value markets.

Better start

Demand has picked up during the early months of 2015 when compared with the end of last year, although this is largely confined to the sub £1m market and is at least partly attributable to the Stamp Duty reforms which have attracted buyers to lower value units where Stamp Duty savings are greatest.

Conditions are certainly not as strong as they were 6-12 months ago, which is partly due to the impending general election which, as always, leads to potential buyers sitting on their hands until greater certainty returns.

Buyers have also become more fastidious. Most are now keen to see good value for money as well as growth potential in any opportunities presented to them.

The overseas market is also slower with several investors selling ahead of the new CGT rules in April. However, the underlying fundamentals remain the same; an excess of demand over available supply, which continues to support the market.

Cooling down

Despite this cooling, the market is still highly active. At 6,600 units, the number of sales during H2 2014 was only marginally below the 6,700 during H1 2014, but over the course of the year the 13,300 new unit sales was a record for Central London. However, in our survey of Central London developers, 38% expected sales rates to slow during 2015 with 50% foreseeing no change.

Developers also acknowledged the quieter market conditions, rating the heat of the market at 5.3 out of 10, notably below the 7.1 as at H1 2014 and the 8.1 a year earlier (see chart).

5.9%

Average price increase in year to H2 2014

Unsurprisingly, price growth has eased. Average prices increased by just 0.7% during the second half of last year. Annual price growth slowed to 5.9% from a high of 13.7% just six months earlier.

Diverging markets

A key trend over the past year has been the shift in activity and price growth away from Core locations towards Outer Core markets. This phenomenon has escalated further over the past six months.

For example, of the 7,700 new unit launches during H2 2014, just 1,400 or 18% were in Core sub-markets with 82% in Outer Core markets. To put this into context, the average split during the preceding three years was 37%/63%, which peaked at 46%/54% in 2013.

A similar picture is evident in terms of sales. It is also interesting to note that activity in Outer Core markets has increased during the second half of 2014 while it has slipped in Core locations (see chart).

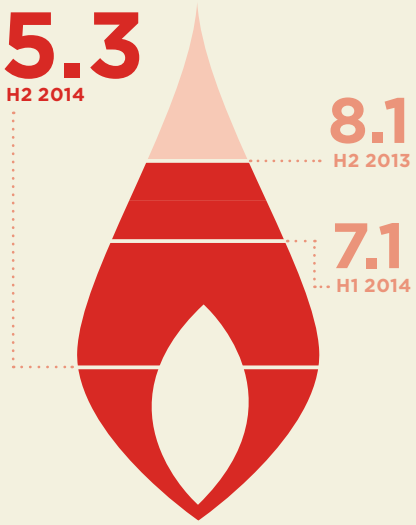
East is East

The greater shift to Outer Core areas is exemplified by the standout statistics in our East sub-market, which includes locations such as Stratford, Hackney and Canning Town.

For example, 2,800 units were sold in the East during H2 2014 which represents 42% of all Central London sales, while the 2,900 unit launches were 38% of all launches and 47% of Outer Core releases.

DEVELOPERS AGREE MARKET IS COOLING

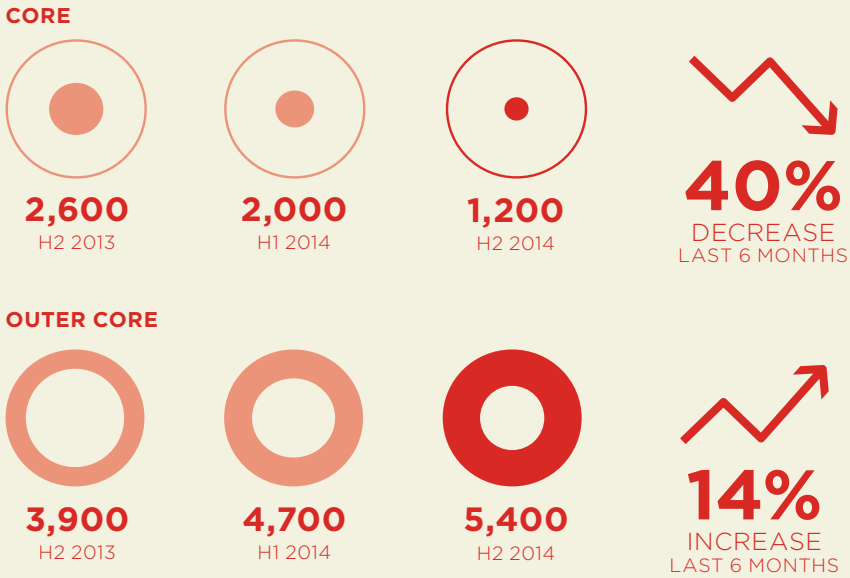
Scale 1-10, 10 is white hot, 1 is very cold



Source: JLL

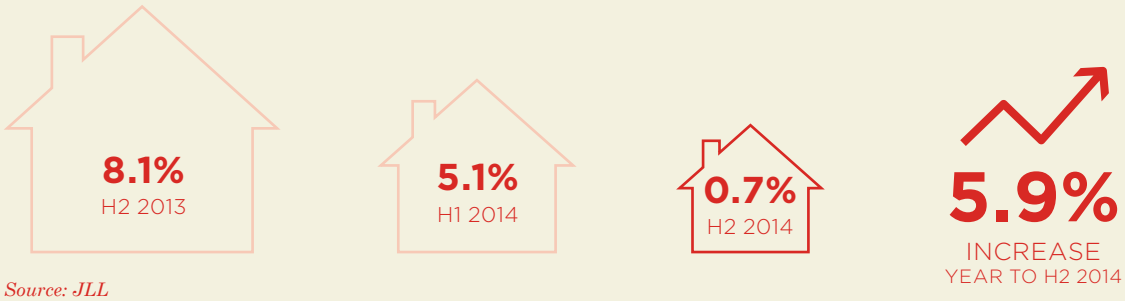
SALES ACTIVITY ACCELERATES IN OUTER CORE, BUT SLOWS IN CORE

Units sold



Source: JLL, Molior

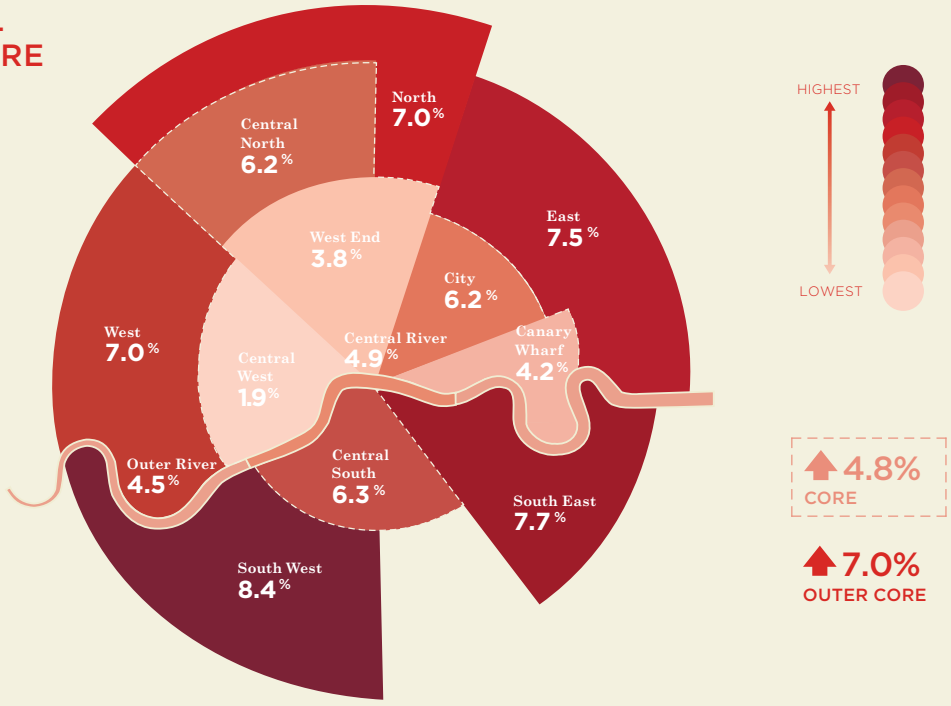
HALF-YEARLY PRICE GROWTH EASES



Source: JLL

PRICE GROWTH STILL HIGHER IN OUTER CORE

Price growth in year to H2 2014



Source: JLL

CONSTRUCTION ACTIVITY AT NEW HIGH

Development activity in the Central London residential market has reached a new high, but there are signs that we may be approaching or have passed the zenith. While developers are still keen, our survey suggests that their enthusiasm has been tempered to some degree. Despite this, bidding for land and opportunities remains fierce.

Construction levels up

Construction activity in Central London has hit new heights. It is true that the majority is in Outer Core locations rather than Core markets, but development volumes have increased right across the Capital.

41%

Rise in units under construction during 2014

There are currently 26,500 units under construction in Central London and this has risen by 23% during the second half of 2014 alone and by 41% during the whole of last year. 16,100 units are underway in Outer Core sub-markets, up 34% from H1 2014. The number of units under construction in Core areas has increased more modestly from 9,600 to 10,300 over the past six months.

26,500

Units under construction at end of last year

In terms of new starts the latest escalation in development activity is even more staggering. There were 8,700 new unit starts during H2 2014, a 45% increase from the first half of 2014. This was the highest number of starts during any six-month period since our records began and is almost four times the level seen in 2011. Around three quarters of the new starts were in Outer Core markets during H2 2014, representing over 6,500 units.

Significantly too, the number of unit starts in Core markets increased by 90% during the second half of 2014, suggesting that new supply will rise again soon in Central London's Core markets.

Completions still low

While the volume of units under construction has ballooned over the past two years, the number of completions continues to languish notably behind. Just 3,200 units completed during H2 2014 with a paltry 6,000 finishing throughout 2014.

Although we expect this total to ratchet up during 2015, it may not be until 2016/2017 before annual completions push above 12,000 units per year.

Developer appetite eases

Developer appetite is still pretty strong, but with so much already underway and with some concerns about sales rates and prices, in the very short-term at least, a number of developers are now exercising a modicum of caution.

This is reflected in our six-monthly survey where developer enthusiasm to progress their schemes through planning or to get on site has slipped from an average score of 8.2 out of 10 in H1 2014 to 7.4 in H2 2014 (see chart).

This does not yet seem to be evident at the coalface, where we are still seeing considerable interest and strong bidding for land and new development opportunities. Competition remains high, including the ever-escalating international dimension to development.

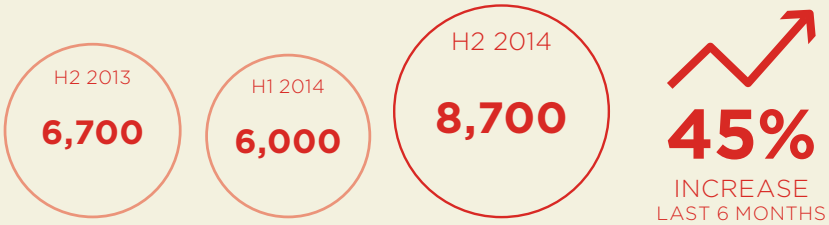
Pipeline up again

The number of units either at planning application or permission stage, or unbuilt in existing schemes, has risen by 2.2% to just over 120,000 units during H2 2014.

It is also interesting to note that the pipeline in Core markets has grown by 28% while diminishing by 1% in Outer Core locations during the course of 2014, indicating that development activity in Core locations is set to rise once again in the not too distant future.

CONSTRUCTION STARTS UP AGAIN

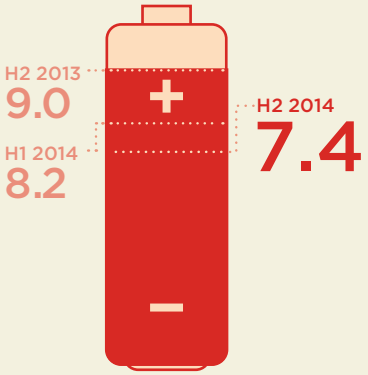
Number of units started per half year, all Central London



Source: JLL, Molior

DEVELOPER APPETITE NUDGES DOWN

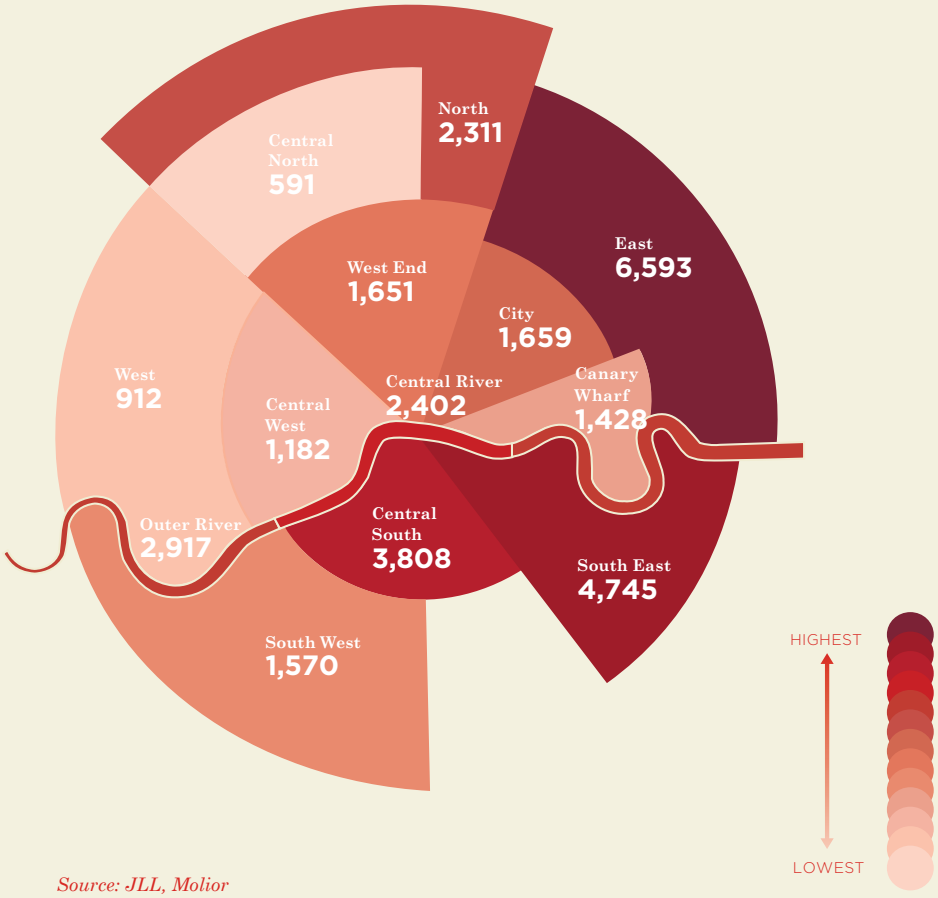
Scale 1-10, 10 is exceptionally keen, 1 is not keen at all



Source: JLL

CONSTRUCTION HOTSPOTS

Number of units under contruction as at H2 2014



Source: JLL, Molior

CHIEF EXECUTIVE, ALMACANTAR

MICHAEL HUSSEY

London - a one-way bet?

In 2013 you would be forgiven for thinking that. So the "levelling-off" in 2014 came as a relief to the seasoned campaigners.

Supply and demand still remains in imbalance across most sectors of the residential market. There may be pockets of strong supply, but has the market fully factored in the impact of glacial progress through planning for competing schemes and the growing population in the Capital?

We can all quote the potential for global "shocks", Labour's politics of "envy" or lack of affordability, but we are still all here despite some significant headwinds in recent years. London continues to be the global capital city of choice.

Not a one-way bet, but if the product is right, the location good and growth in prices (costs and sales) stays sustainable, I'm in.

REGISTERED PROVIDERS
GOING PRIVATE

Registered Providers (RPs) of affordable housing are changing. In considering new Section 106 affordable housing opportunities – the affordable delivered through planning obligations - RPs are becoming more selective with some focusing only on the largest of schemes. In recent years G15 members have become increasingly prolific as contenders in London's competitive land market. And whilst "for-profit" RPs have been around for some time, the ethos of new entrants is far from traditional.

Differing strategies

RPs are not all the same, nor are they seeking the same thing. Whilst common goals of increased delivery and management of good-quality affordable homes are shared amongst them, ambitions, targets and geographies vary massively.

For some in the G15, London's 15 largest RPs, who collectively seek to deliver 10,000 units a year, Section 106 affordable housing opportunities comprising fewer than 30 to 50 units no longer cut it. To one extent this is influenced by units already acquired or accounted for within an RP's development programme; to another extent, it reflects a shift in focus.

For larger organisations, such as Notting Hill where Section 106 affordable housing accounts for approximately 30% of its annual work, focus has, for some time, been on large private-led and mixed tenure developments where Section 106 affordable housing forms only a part.

Some would be surprised, or consider it ironic that RPs themselves are

JLL VIABILITY ADVISORY
ALIX GREEN

regularly immersed in viability assessments and negotiations to agree the amount of affordable housing that can be practically and viably delivered. Some cynics may even suggest that RPs are given an easier ride in viability negotiations by Local Authorities; in practice, often the contrary is true.

Diversification

RPs branching out into private residential development and converting private residential permissions to provide additional affordable homes can be directly linked to a reduction in Social Housing Grant (SHG). The most prominent grant cuts followed the Government's Comprehensive Spending Review in 2010, and so too did the start of the change in RPs' operational style.

A slow-burn change, yes, and one embodied by some RPs more than others. But, over time, RPs have grown as contenders and indeed competitors within London's private residential development market. Put simply, reduced grant triggered the need for RPs to diversify, and the diversification came in the form of private residential development.

However, grant has not gone completely - at least not yet. Such monies are not intended for splashing out on Section 106 units but, rather, efforts are and will continue to be channelled into the acquisition and delivery of private-led development projects, which in turn will provide RPs with greater scope for delivering much-needed additional affordable homes.

Grange Walk, Southwark,
Notting Hill Housing Group

ASSISTANT DIRECTOR OF NEW BUSINESS, NOTTING HILL HOUSING GROUP

NIGEL LANE

Section 106 units are always part of the plan and we are regularly approached by developers in addition to building our own. They form a substantial part of our portfolio and equate to about 30% of our annual work, although this does vary slightly from year to year.

The need for affordable housing is greater than ever with London house prices at an all-time high. The reduction in public subsidy has meant that we have needed to expand our private sale and market rent properties to maintain our charity and social housing work.

13,000

G15 RP private units in planning pipeline

S106 changes

For smaller providers and new entrants to the RP sector, certain larger RPs' stance on Section 106 "lot size" and focus on private development potentially creates a window of opportunity.

Smaller organisations - particularly those with a more concentrated geography - have made small S106 opportunities their niche. Such interest and willingness to consider these possibilities may indeed prove to be a "fly in the ointment" for those seeking to convince Local Authorities that RPs will not want a mere "handful of Section 106 units".

However, whilst lack of economies of scale may not deter such niche providers, high service charges and sharing of communal spaces between tenures continues to be the biggest hurdle that in many cases cannot be overcome. The total affordable housing spend calculation includes both service charge and rent, and the total cost needs to be affordable to those living in the affordable homes; sometimes, the service charge kills it.

Private contenders

So RPs have become far more active in the private development market and they have become real contenders.

The impact of RPs within the private residential market can be illustrated by JLL's own experiences. Of sites sold by JLL's Residential Land team in London during 2014, 23% received bids from G15 RPs. This is an impressive proportion.

It is also notable that 14% of sites featured one or more G15 RPs in the shortlisted parties.

Growing presence

Analysis of construction data highlights the increasing encroachment of RPs on the private residential landscape.

JLL research, using Molior data, reveals that the number of annual private completions in Greater London by G15 RPs over recent years has been around the 1,000 unit mark (see chart).

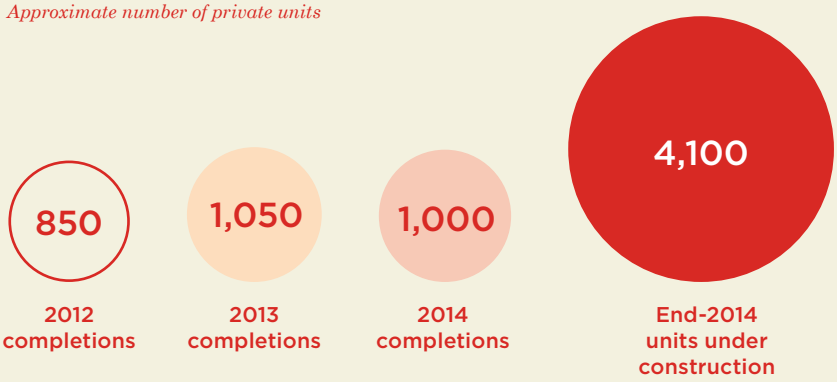
However, the number of units G15 RPs have under construction had risen to just over 4,000 by the end of 2014. This is clearly a step change in their activities.

The G15 RP share of private unit development is also growing. During 2012-2014 this group accounted for around 7.7% of private completions, but their share of units under construction is now 9.2%.

And RPs are also lining up their private development pipeline too. The G15 have approximately 13,000 private residential units in the Greater London planning pipeline.

RPs ARE INCREASING PRIVATE DEVELOPMENT

Approximate number of private units



Source: JLL, Molior

MOST ACTIVE RPs – PRIVATE DEVELOPMENT

By number of private units under construction

1. L&Q
2. A2Dominion
3. Peabody
4. Notting Hill
5. Network

Source: JLL, Molior

FAVOURED BOROUGHS

By number of private units under construction

1. Southwark
2. Waltham Forest
3. Tower Hamlets
4. Newham
5. Islington

Source: JLL, Molior

JLL AFFORDABLE HOUSING

RICHARD PETTY

We hear the term "housing crisis" almost daily in the media. It is no exaggeration - we certainly have one, and it is becoming more acute by the day. The only solution for us as a country is to build our way out of it through a step change increase in housing supply.

Ever since public sector house building went into decline in the 1970s, the private house building sector has shown that, for all sorts of reasons, it is unable to build sufficient new homes to keep pace with demand. It has been - and will always be - vulnerable to the peaks and troughs of the housing market cycle. We cannot therefore leave it to the private sector to fix the problem. The price of failing to address it will be stifled economic growth and the frustration of many people's lives and ambitions.

It is hugely encouraging to see the way in which the RP sector is responding to the challenge.

RPs have no vested interest other than meeting as much housing need as possible, to the highest standard possible. The National Housing Federation has set out a vision based on "profit for purpose" and we are delighted to be working with our many RP clients to help them play their part in fulfilling this ambition.

They are real challengers now to the status quo in house building and, if they can get the balance right between commercial risk and financial viability, our society as a whole has a great deal to gain from the direction RPs are taking.

INTERVIEW

THE NEW GRAINGER TRUST

Grainger Trust is the recently formed "for-profit" RP created by Grainger plc, which established the RP in its centenary year. We speak with Grainger Trust's Bill Flood and ask what challenges it has faced so far.

PROJECT DIRECTOR, GRAINGER TRUST
BILL FLOOD

As the new "new kid on the block", what can you do differently?

We don't have to do things in a traditional housing association way, because it's "always been done that way", but can do things in a way that makes the most sense for residents and what they want, while also making sure we have a sustainable business. We are not good landlords solely because we are "altruistic nice chaps", but because it commercially matters to us to get it right for our customers and shareholders over the long-term.

What was the rationale for forming Grainger Trust?

Firstly, much of our rationale is similar to those of some of the larger more commercial RPs and, put simply, we see an opportunity in having a secure, low risk, rental income stream. We also like the value created through a single affordable housing management structure from large strategic land sites and also sites with bespoke PRS and affordable housing. Grainger Trust brings cost-effective, private sector discipline to managing affordable housing through Grainger plc who, under a Service Level Agreement, provides all the management and maintenance services.

What is the key to success?

Having control is the key to that wider offer we can provide. Being owners and managers of the affordable housing, Grainger has the ability to act quickly when necessary and resolve issues before they become a serious detrimental issue for all the community.

On large strategic sites, it also means a consistent approach over the long-term to the management of the affordable housing by a single landlord – Grainger Trust – tackling

Hortensia Road, Chelsea, Grainger Trust

in a single stroke the issues created by multi-owned affordable housing.

What is the main challenge for a newly-formed RP?

The first challenge is dealing with a regulatory regime that is designed for a sector dominated by "not-for-profit" charitable organisations previously heavily reliant on grant and low-interest bank loans.

The red tape developed to cover all the bases and rightly protect and monitor past massive government investment in housing associations, is a significant challenge for a newly-formed "for-profit" RP. All too often we are trying to abide by rules that don't really apply to our circumstances or add any value for us or the HCA and government.

We understand the HCA's dilemma in protecting public assets, but it would be a shame if "for-profit" organisations like Grainger Trust were not able to provide the level of impact we could, because the regulator can't find ways of balancing their roles of protecting public assets with developing a new way of funding affordable housing with little grant in the future.

Is there a level playing field?

No. Not only are some of the regulatory rules unfairly applied to different types of RPs, but housing associations' resources to bid for sites are grossly unfair. Grainger Trust can't help but raise our eyebrows at some of the prices some RPs are prepared to pay and query on what basis they have commercially assessed their bid.

It is not the lower returns they may choose to take nor the competitive cost of capital that makes some of the offers seem excessive, but it is the use of recycled grant and surpluses that are hidden within bids that forces the question marks around value for money. There is always an RP somewhere who can make the case to their Board that site X or Y is "in their strategic heartland" and therefore the usual rules should not apply.

Until all the latent surpluses and grant in traditional RPs is used up, we are likely to continue to see past investment by governments used to support inflated land and build prices for affordable housing – and it is not going to stop any time soon, unless a better way is found to target resources to projects that really need grant to make them viable for affordable housing.

What are the biggest opportunities?

Over and above delivering strategic land sites and PRS/affordable product, there are opportunities in long-term partnerships with housebuilders that can see the value of a "for-profit" RP like Grainger Trust being the owner and manager of the Section 106 affordable housing on their site.

Rather than ducking the stereotypical question of "where's the affordable housing then?", we believe we can change the debate to "who's the owner and landlord of the affordable housing then?".

What makes Grainger Trust competitive?

Sometimes it is difficult for us to be competitive on price alone on what some RPs are willing to pay for affordable housing. However, we do believe that investors and partners are now beginning to see that Grainger's commercial approach and reputation is worth more than the initial purchase price.

The main value in developments, especially in London and the South East, is the sales income or rental yields of the private component of a scheme. Grainger believes it can deliver enhanced returns for the private sales and rental income by Grainger Trust being the RP.

EAST LOND

Ten years on

London won the right to host the 2012 Olympics in July 2005. As part of the bid, various legacy promises were made. These ranged from encouraging two million people to take up sport and bringing communities together through to economic growth and the regeneration of East London.

Ten years on from the successful bid, what has been achieved and what is still planned?

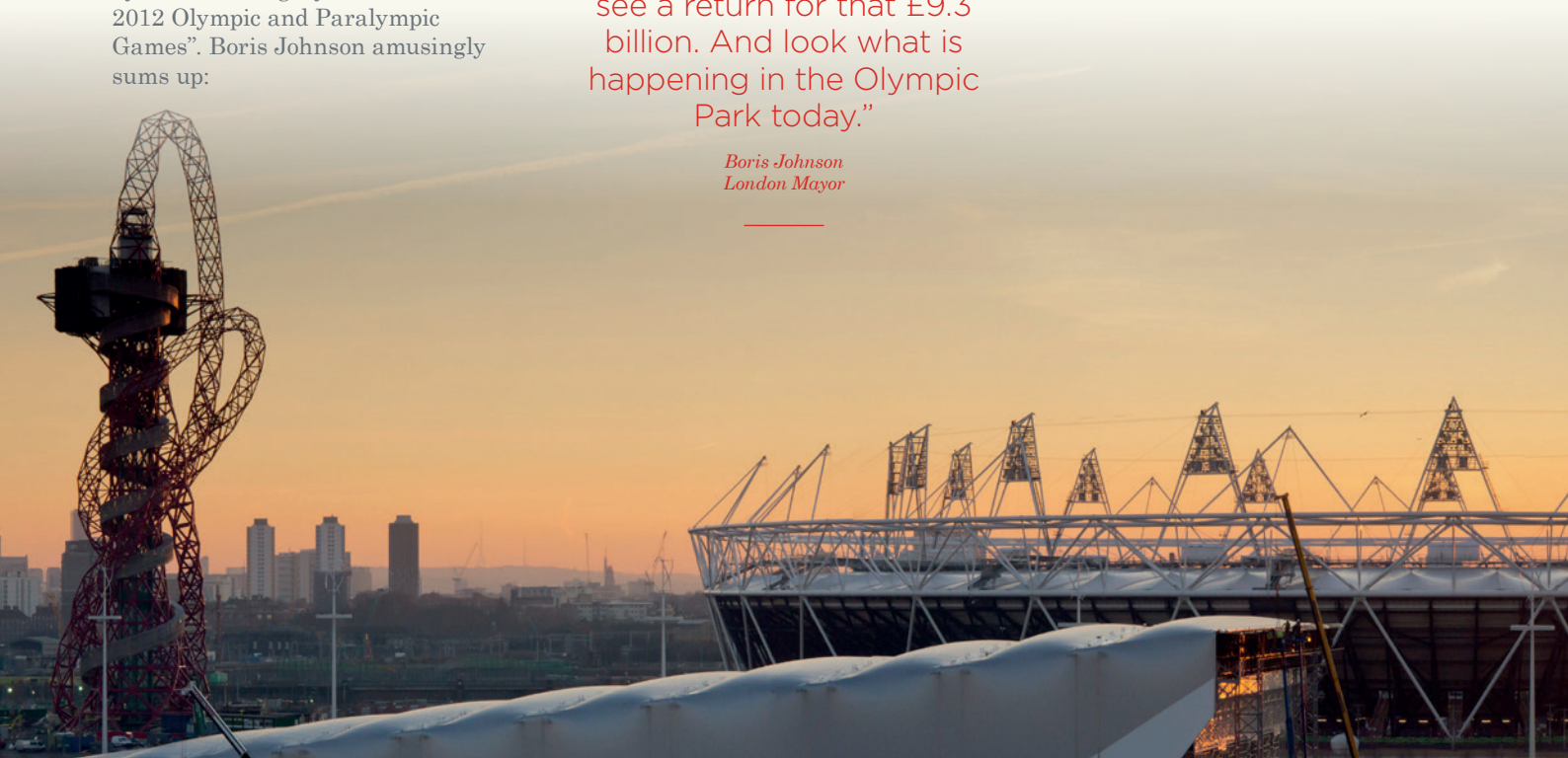
In July 2013 the London Mayor produced a report entitled "Inspired by 2012: The legacy from the London 2012 Olympic and Paralympic Games". Boris Johnson amusingly sums up:

"Well, folks, we are doing it again. We are defying the sceptics and the doom-mongers. They said we couldn't run a bath – and we delivered the greatest Olympic and Paralympic Games the world has ever seen. Then they said those Games would never leave this country a permanent legacy, and that the taxpayer would never see a return for that £9.3 billion. And look what is happening in the Olympic Park today."

Boris Johnson
London Mayor

In terms of legacy targets for East London as a whole, the following were made in a government document entitled "Beyond 2012".

- Transform one of the most deprived areas of London
- Create a thriving new quarter for the capital
- Drive jobs, skills and investment across London
- Improve services and community infrastructure
- Enhance lifestyles and raise the quality of life in East London



ON LEGACY

So, what has been achieved to date? Well, it is claimed that the Olympics catalyst has accelerated the process of urban regeneration in East London and we would certainly concur with this.

More specifically the authorities are proud that they have secured the long-term future of "eight out of eight" of the Olympic Park venues (the stadium, velodrome, etc.) ensuring that they are utilised for many years to come. They are also pleased that Queen Elizabeth Olympic Park was fully re-opened in 2014.

Achieving goals

In 2013, East Village, the former athletes' accommodation, welcomed its first residents following conversion. There will be five neighbourhoods within the Park. These are Chobham Manor, East Wick, Sweetwater, Pudding Mill and Marshgate Wharf, with additional residential at The International Quarter. Residential development is already underway at Chobham Manor and in The International Quarter. In total more than 13,000 new residential units will eventually be provided at Olympics-associated sites.

Westfield Stratford City, the shopping centre, was developed in the run-up to the Games and opened in 2011. The centre has been a phenomenal success attracting nearly 50 million visitors in its first year, with its reputation enhanced further since the Games. It is the third largest shopping centre in the UK and supports in the region of 10,000 jobs.

As well as the retail businesses attracted to Westfield Stratford City, there have been other corporate successes. Here East, the old Press and Broadcast Centres, will provide over 90,000 sqm of business space and will support more than 4,500 jobs by 2019, with a further 2,000 jobs in the surrounding areas. Tenants will include BT Sport, Infinity and Loughborough University. There will be further business space developed in The International Quarter while a joint university campus hosting three universities will further enhance the diverse nature of the legacy.

The authorities are keen to point out that legacy entails more than just the Olympic Park, and the wider benefits are clear for all to see.

As part of the "Inspired by 2012" report, Oxford Economics highlighted the importance of the legacy and the future of East London.

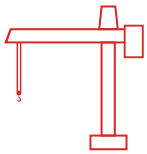
By 2030, East London will be one of the UK's most important growth drivers and a net contributor to public finances worth £5.4 billion a year. East London is also expected to accommodate half of London's population growth in the period to 2031.

DEVELOPMENT MARKET
EAST

The East region has a wealth of development and regeneration potential. The Olympics has been the catalyst to bringing significant swathes of development forward, but the sphere of influence in this region is far broader than the Olympic Park itself. The raised profile of East London is certainly encouraging developers to bring schemes to market, which in turn is helping to change the demographic base and perception even further.

3,900

Unit starts in year to H2 2014



6,600

Units under construction as at H2 2014

32,800

Units in the planning pipeline as at H2 2014

Delivering for London

The East region is certainly playing its part in helping to deliver Boris Johnson's annual target of 42,000 homes a year.

The East is home to many of the Capital's largest residential and regeneration sites. The map on the following pages provides information on the largest 17 developments.

These are led by the 6,800 units (all tenures) at Queen Elizabeth Olympic Park and the close to 6,500 units at Stratford City. But not all the large sites are at Stratford.

Both Royal Wharf and Silvertown Quays will host in excess of 3,000 units, while London Dock, the News International site in Wapping, and City Island, will see the development of more than 1,700 units each.

Whilst a good chunk of the East's delivery will come from the large regeneration sites, this area is also a hotbed of smaller schemes.

Construction on the up

In terms of private for sale construction, 2014 marked a surge in development starts. There were 5,400 new unit starts last year, leading to an under construction total of 6,600 units at the year-end. This is a notable increase from the 2,000 to 3,000 units in the East region during 2012 and 2013.

The schemes which witnessed the greatest number of starts last year were Oxley and Ballymore's Royal Wharf where over 800 units started on site, Ballymore's City Island where almost 550 units got underway, and Hub Residential's 360 unit Hoola development.

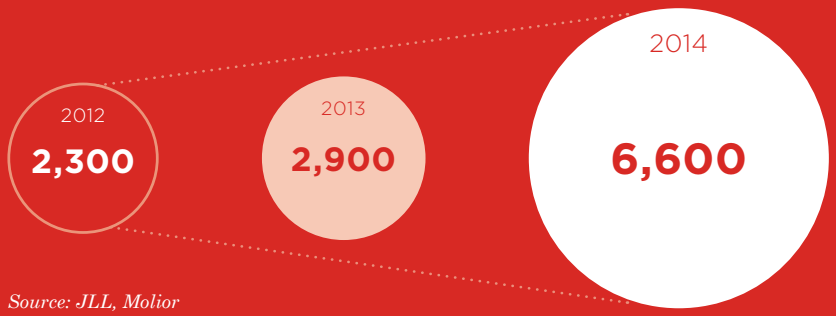
In excess of 300 units were also started last year at Galliard Homes' Royal Gateway, Lend Lease's Glasshouse Gardens and at Telford Homes' Stratosphere.

More for later

Furthermore, the residential development conveyor belt is not set to end anytime soon. There are 32,400 units unbuilt in existing schemes or at application or planning permission stage in the East region.

2014 MARKS SURGE IN DEVELOPMENT ACTIVITY

Number of units under construction in East



Source: JLL, Molior

Artisan, Dalston, Bellway Homes

MANAGING DIRECTOR, BELLWAY THAMES GATEWAY

IAN GORST

East London is one of the Capital's fastest-evolving areas and Bellway believes it still has some of the strongest prospects. There is no denying the Olympics was a huge catalyst for change, delivering infrastructure on a scale and in a time frame that would not have otherwise been possible. But London's economic centre of gravity has been swinging towards the east for decades, ever since Canary Wharf was developed. We believe that trend has much further to run.

The knock-on effect of this regeneration continues to be widespread. For example, our New Festival Quarter development in Poplar has proved particularly successful, attracting many people who work in Canary Wharf but want better value homes than those on the Wharf itself.

This ripple effect is apparent across East London. When values in Shoreditch rose, Dalston became a popular alternative. Bellway has two schemes here, Pembury Circus and newly-launched Artisan, which meet the strong demand from young professionals for high-quality homes in a trendy and vibrant urban location.

And this ripple is set to continue. We have recently launched The Exchange in Leyton, north of Stratford, an area without the profile of its neighbour but which offers good value and proximity to the Stratford transport hub. We tip it as a hotspot to watch in 2015.

DEVELOPMENTS
EAST

1 QUEEN ELIZABETH OLYMPIC PARK
VARIOUS DEVELOPERS VIA LONDON LEGACY DC & OLYMPIC PARK LEGACY COMPANY

6,800 total, 6,800 private units

Permission granted

There will be five districts within the Park with land allocated to numerous developers. Taylor Wimpey and L&Q have started work at Chobham Manor and sales are underway.

2 STRATFORD CITY
VARIOUS DEVELOPERS VIA LONDON LEGACY DC & OLYMPIC PARK LEGACY COMPANY

6,454 total, circa 1,500 private units

Permission granted

Many of the PRS units at East Village are now complete and occupied. Stratford Central and Glasshouse Gardens are under construction.

3 ROYAL WHARF
OXLEY & BALLYMORE

3,385 total, 2,809 private units

Under construction - for sale

Circa 811 units are under construction and an estimated 1,200 units have exchanged.

4 SILVERTOWN QUAYS
SILVERTOWN PARTNERSHIP

3,033 total, 2,426 private units

Permission granted

The Silvertown Partnership will lead on the regeneration of Millenium Mills, a derelict 20th century flour mill. A revised application was submitted in Q3 2014.

5 LONDON CITY ISLAND
ECO WORLD-BALLYMORE

2,540 total, 2,180 private units

Under construction - for sale

Circa 550 units are under construction and almost all units have been sold in the first phase on the northern element of the Leamouth Peninsula while there is an outstanding application on the southern section.

6 LONDON DOCK
ST GEORGE

1,800 total, 1,561 private units

Under construction - for sale

At the ex News International site, Alexander Wharf and Admiral Wharf are underway. In total, 178 units are under construction.

7 BLACKWALL REACH
SWAN NEW HOMES

1,575 total, 877 private units

Permission granted

Affordable housing at this scheme is currently under construction. The private element has not yet started.

8 HALE VILLAGE
BELLWAY

1,210 total, 668 private units

Under construction - for sale

The first phase containing 140 units is complete and sold. Three further phases are underway with two of these being marketed.

9 STRAND EAST
VASTINT

1,192 total, 1,014 private units

Permission granted

Vastint is the property arm of Ikea. Resolution to grant permission was given in 2012 but there seems to have been little progress since then.

10 ABERFELDY NEW VILLAGE
POPLAR HARCA

1,176 total, 986 private units

Under construction - PRS

All private units in the first phase are sold and complete. be:here has 163 PRS units which are due to complete mid-2015. Construction has not started on the remaining phases.

11 HALLSVILLE QUARTER
BOUYGUES DEVELOPMENT

1,130 total, 697 private units

Under construction

Several units in phases 1 and 2 have been sold to Mountain Capital, with around 134 units retained for PRS.

12 CHOBHAM FARM
EAST THAMES GROUP

1,036 total, 870 private units

Under construction - not launched

The first phase of this scheme, comprising 136 units, is currently underway, but no units have yet been marketed for sale.

13 ROYAL ALBERT DOCK
ABP LONDON INVESTMENT

845 total, 845 private units

Permission granted

The residential elements of this huge commercial property-led scheme called the Asian Business Port may not come forward until the latter stages of development.

14 WEST HAM BOLEYN GROUND
GALLIARD HOMES

838 total, 838 private units

Application

Purchased by Galliard in 2014, an application for 838 homes has been submitted on the former West Ham United stadium.

15 STEPNEY GREEN
BELLWAY, EAST THAMES GROUP & FIRST BASE

819 total, 423 private units

Under construction - all sold

There are various developers involved and the scheme is completely sold out with only a handful of units still to be completed.

This map is for illustrative purposes only. The development locations are approximate and may not identify specific buildings or sites precisely.

Our definition of East does not include Canary Wharf. The largest 17 developments are presented.

16 THE CITY MILLS
L&Q

761 total, 343 private units

Under construction - for sale

Over half of the units have been sold at this multi-phase scheme. The next phase is set to launch in mid-2015.

17 BOW RIVER VILLAGE
SOUTHERN HOUSING GROUP

741 total, 667 private units

Under construction - not launched

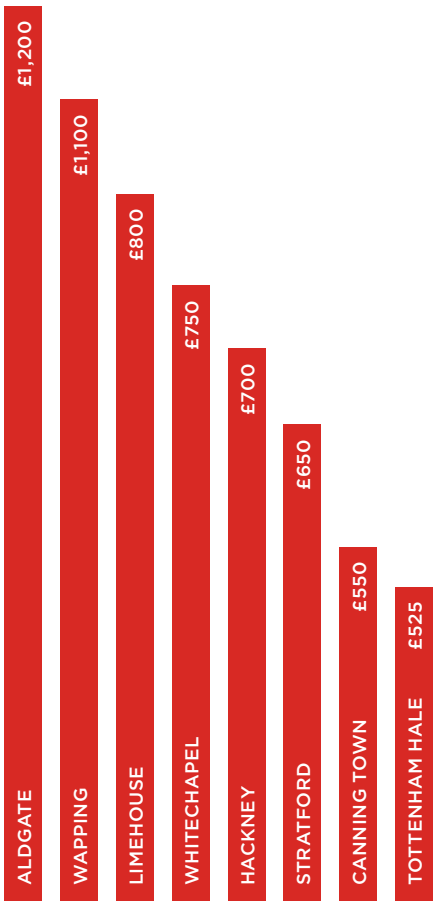
145 private units are under construction but will not be launched until late-2015.

Source: JLL, Molior

SALES MARKET
EAST

Transaction volumes of new units in East London have reached new heights. 2014 was a record year with more than 5,000 units purchased. And with so many more schemes coming forward, this year could be higher still. Annual price growth in the East is one of the highest across London but, despite the strong sales volumes, prices remained little changed during the second half of 2014.

TYPICAL EAST PRICING (£PSF)



Source: JLL

Star performer

There were more sales in our East region than any other sub-market during 2014. Over 5,000 new units were purchased. This accounts for 51% of all Outer Core sales and 39% of purchases across Central London. The number of sales has been growing in recent years, rising from between 2,000 and 3,000 per year to over 5,000 last year (see chart).

The most notable schemes in terms of sales during 2014 were Royal Wharf, where 1,200 units were sold; Hub Residential's Hoola development at Royal Victoria Docks where more than 300 units have exchanged; and Galliard's Royal Gateway scheme where over 300 sales have also been achieved.

In excess of 200 units were also sold at Lend Lease's Glasshouse Gardens at The International Quarter, Telford Homes' Stratosphere scheme in Stratford and Ballymore's City Island on the Leamouth Peninsula near Canning Town.

Price growth ahead of average

House price growth in our East region has overtaken the Central London average since the Olympic Games.

7.5%

Average price increase in East during calendar year 2014

Prices rose by 7.5% during 2014, notably higher than the 5.9% Central London average. And although price growth has eased throughout London during the second half of last year, the East region still managed to stay ahead.

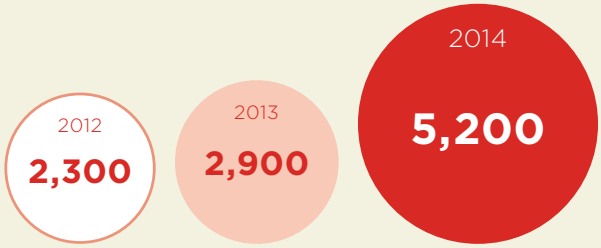
Different markets

The East area is huge and covers a diverse range of areas and pricing. The adjacent graphic illustrates this point.

We expect pricing in the East to rise further in the medium-term to reflect the dramatically changing perception of this once forgotten region of London.

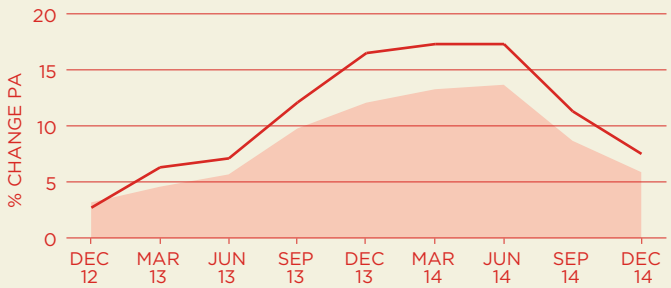
EAST IS MOST ACTIVE SUB-MARKET

Unit sales each year



Source: JLL, Molior

PRICE GROWTH HIGHER IN EAST



Source: JLL

EAST CENTRAL LONDON

THE FINAL WORD

"East London has truly come of age and is accepted globally as a hotbed of investment for all types of property transactions.

Regeneration and redevelopment are in full swing with a plethora of developers fighting for a piece of the action. Stratford and the Olympic legacy have been at the centre of proceedings with Stratford also re-categorised as a Zone 2 transport location.

Some fantastic residential schemes are helping to transform and upgrade East London from Tottenham Hale down to the Royal Docks.

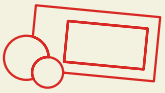
It is not just residential progress which is being made. The shopping centre is proving a roaring success while The International Quarter has recently confirmed anchor tenants for its commercial space.

Huge strides have been made, but the future of East London will not stop here. Half of London's population growth over the next 20 years will be in East London with significant regeneration and residential development to whet the appetite of homebuyers, renters, developers and government."

—

Max Wilkinson
JLL City and East London Residential Development

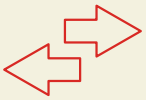
RESIDENTIAL SERVICES


Investment


Affordable Housing

Estate Agency & Lettings


Funding & Corporate Finance


Land Sales & Acquisitions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Valuation


Mixed–Use Development


Planning

New Homes Sales


International Agency


Development Consultancy

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