City or Casino?

The role of speculative investment in London's new build housing market

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Acknowledgements

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Executive summary

There is a growing housing affordability crisis in London. Businesses, public services, and Londoners themselves are all suffering as a result. House prices have risen at a very alarming rate and are now more than 11 times the average London wage, far out of reach of most working families. Meanwhile, the number of genuinely affordable homes to rent has declined, pushing modest earners far out of the areas they grew up in.

For Londoners in their thirties, owning a home used to be a realistic hope, if you worked hard and saved up. For most it is now impossible without major help from the Bank of Mum and Dad. Rents are also unsustainable, and now take up half of Londoners' take-home pay. More and more renting families are being forced to live in poor conditions, without long term security, and with a higher risk of homelessness.

There is no silver bullet that will solve all of these problems. The next Mayor will need to be both bold and strategic, tackling chronically low levels of house building, reforming private renting and campaigning to ensure that a good safety net remains for those who need it. The national government should support the next Mayor in this task – and ensure the rest of the country benefits from efforts to lessen London's housing crisis too.

However, in London there is also another dimension for the Mayor to consider. There is a growing perception among the public that properties are being snapped up by speculators who have no intention of buying a home to live in. This phenomenon is particularly associated with new-build flats in London, which are the source of the majority of London's new housing[1]. Even if speculative purchases are a relatively small part of London's total property market, they are often concentrated in its most important, most visible, and most politically sensitive developments. It is therefore likely that the next Mayor will come under increasing pressure to tackle this issue, so it is important to explore and understand its extent and its effects.

This briefing looks at the issue of **speculative investment** in London property. We define speculative investment as property investment made purely with the intention of making a short term capital gain, with no intention to live in the home or rent it out long term. There are various different methods of speculatively investing in property. In this briefing we explore the practice known as 'flipping': the buying and selling of new homes before they have even been built.

> **'Flipping'**: *where a speculative investor buys a home off-plan and then sells the contract on to someone else before the property is built, aiming to make capital gains at future buyers' expense.*

In this briefing, we outline the different types of property investment, of varying social utility, before summarising the evidence on the extent and scale of flipping in London's new-build market. This evidence includes new analysis conducted by Shelter in 2015, which outlines a generic model for how the process works, showing the incentives for investors – and presents evidence of flipping taking

[1] Rae, A., in Significance, 9th July 2015, 'Too many flats, not enough houses? The geography of London's new housing' <https://www.statslife.org.uk/economics-and-business/2360-too-many-flats-not-enough-houses-the-geography-of-london-s-new-housing>

place on a significant scale in three central London new-build developments. We found evidence of the potential for speculators to make huge profits (and sometimes huge losses) by playing the new-build property market like a casino in this way.

Of course, similar types of asset trading take place in many markets. It is therefore important to understand whether the flipping of new-build homes in London has any particular impact on ordinary Londoners, or if it is just a self-contained market process that is essentially harmless.

We argue that flipping could be a matter of concern for five reasons:

1. By attracting extra speculative demand into the new build market, flipping may help raise prices above the level that owner occupiers or buy-to-let investors would have expected to pay otherwise, and even push prices out of their reach altogether. Without this speculative demand, London house prices might be lower.

2. If off-plan flipping doesn't push prices up in itself, then its very premise indicates a missed opportunity to extract value in the form of Section 106 obligations. S106 obligations will be based on the initial sales price; if the correct market value of properties under construction increases sufficiently that a profit can be made on resale, then a substantial proportion of the value of the property provides no contribution to future infrastructure or affordable housing.

3. Speculative investment could influence types and forms of homes that are built, as developers (quite logically) target their resources on building properties designed for investment rather than for living in. This in turn could affect public attitudes towards development – and so impact on future supply.

4. Speculative investment is likely to add risk and volatility to the new-build development market, making overall supply even more vulnerable to market shocks. Flipping is likely to be highly pro-cyclical, with more speculators buying properties to flip at times and in areas where prices rise more strongly. More flipping could increase the chances of a classic housing market bubble occurring – which invariably has devastating consequences for much-needed housing supply over the medium term.[2]

5. The growth of flipping has recently triggered the creation of innovative financial products such as 'buy-to-flip' mortgages[3] - products which had not been offered since the financial crisis. The return of leveraged, high-risk speculation, in a market as pressurised as London's new build housing sector, is a potentially ominous sign of the effects of investor euphoria around London real estate on the wider financial system.

While there are therefore real grounds for concern, there is insufficient market information to be certain of the scale of flipping or its impacts. At this stage, it is vital that steps are taken to regularise market practice in order to gather more data and to better understand these practices, before taking any steps to regulate or restrict them. In response to these findings Shelter makes two modest recommendations to be considered by the government and Mayoral candidates:

[2] Jefferys, P., Shelter Policy Blog, 'Will house building survive the next crash?', 28th July 2015 <http://blog.shelter.org.uk/2015/07/why-the-next-crash-will-be-even-worse-for-building-homes/>
[3] Pickford, J. in Financial Times, 'Riskier loans return to London property market', 22nd January 2016 <http://www.ft.com/cms/s/0/6a8b273c-c04f-11e5-846f-79b0e3d20eaf.html#axzz3yRcjqNat>

1. The creation of a central register of off-plan sales and resales through the Land Registry, to ensure transactions are properly certificated and secure, with a duty placed on developers to only allow that person holding the certificate of transaction to complete the purchase.

2. A standardised legal process for off-plan sales and resales, to ensure transactions are properly monitored and regulated.

Once a more detailed picture of speculative investment in London's new build property market has been built up, we believe it is likely that policy makers and politicians will want to explore measures to limit speculation, such as targeted taxation or planning policies. But before such steps can be properly considered, we need far more transparency in the market to understand the true scale and impact of this activity.

What is speculative investment in London's property market?

This briefing explores the role of speculative investment in the London new-build market. We are particularly interested in the practice of reselling off-plan contracts as a means of speculation – a practice known as 'flipping'. Unfortunately, due to the lack of standardised recording of these kinds of sales, it is impossible to know exactly the scale and impacts of this practice – although there is strong evidence that it does happen. This first section therefore looks at what we do already know about such speculative investment in London.

Why do people buy London homes?

People primarily buy homes in London for the same reasons as anywhere else: as somewhere to live. And just as elsewhere, some do so for financial investment reasons too. Where London is unusual is in the scale of its property investment market. Not only does it have a much larger private rented sector than England as a whole[4], it also attracts investment from a far wider area: London is seen globally as an attractive and lucrative place to invest money in property.

The city is seen to be a 'safe haven' – perceived by overseas investors to have a clear tax regime, a robust legal system, a favourable exchange rate, and a strong, transparent political system[5]. Investing in London property is therefore a safe, secure way to store wealth safely, particularly when there are incentives to move money out of unstable currencies and economies. There are also broader incentives to invest in the London property market, as a destination for the elite. These range from education and employment opportunities to business and cultural attractions.

There are many possible ways to categorise investors who buy homes in London, such as by whether they are domestic or foreign buyers; cash or mortgaged purchases; individual or multiple acquisition; first time buyers or home movers. But to define 'speculative investment' requires an understanding of buyers' *intentions* in buying a home. Accurately identifying any individual buyer's intentions is inherently difficult, but we can identify four broad motivations for buying property in the capital:

- **Home seekers** are first time buyers or home movers looking for owner-occupancy, often (although not always) with a mortgage. While their means of financing, needs and stage of life may differ, they are united in primarily looking for a home to live in.

- **Landlord investors** are those looking to purchase properties to let as a long term business model, making a yield on their investment. Letting the property is the goal in itself, with the return hopefully covering their business costs and achieving a profit. They may eventually make a capital gain on their initial investment when they decide to sell the property on, but that is not their main goal or the premise of their business model. This is a commonly established model within the UK property market, often funded by Buy-to-Let mortgages.

- **Portfolio buyers** are those buying for a range of reasons between home seeking and investing. Some are high or ultra-high net worth individuals purchasing luxury property as a second or holiday home, to hold as part of their personal investment portfolio, often as means of safely preserving asset wealth. Others[6] are buying a home that they might rent out in the short term, but ultimately intend for their children if they study in London – a phenomenon reported by Knight Frank in 2013 as accounting for a third of all off-plan purchases by foreign

4 English Housing Survey, headline report 2014-15, Annex Table 1.2: Trends in tenure, London and England, 2003-04 to 2014-15 <https://www.gov.uk/government/statistics/english-housing-survey-2014-to-2015-headline-report>

5 Green & Bentley, Civitas, 'Finding Shelter: Overseas investment in the UK housing market', February 2014, p5 <http://www.civitas.org.uk/archive/pdf/FindingShelter.pdf>

6 Rundall, T. in Financial Times, 'Foreigners buy nearly 75% of new homes in inner London', 3rd August 2015, <http://www.ft.com/cms/s/0/605cdea2-fb69-11e2-a641-00144feabdc0.html#axzz3j4tXKuxv>

buyers[7]. The latter are not generally as focused on 'prime' or luxury Central London developments as the former.

- **Speculative investors**, in contrast, are looking to make a profit based on short term property price rises. Some may purchase homes and let them out for a short time before selling, but their primary intention is not to be a landlord looking to make a yield, but to profit from rising property prices. Others may purchase new build homes off-plan and resell them once they are completed. Still others seek to resell homes bought off-plan before the home is even built – the practice referred to as flipping that is the focus of this briefing.

Of course, not all purchasers of London property will fall neatly into one of these categories. Some may have multiple motives for buying a home, or may move between categories as their circumstances change. Disentangling the different motives of purchasers is particularly difficult in the existing homes market, but it is somewhat easier to separate the categories of buyer in the (much smaller) market for new-build properties, for two simple reasons. Firstly, it is extremely difficult to buy multiple second hand homes at the same time. Landlord investors can build up a portfolio by steadily acquiring existing homes over time, leveraging their local knowledge – but speculative investors looking to buy and sell multiple homes quickly will tend to find the new-build sector far easier to operate in.

Secondly, the prevalence of off-plan sales means that owner-occupiers are likely to be far less common in the new-build sector. In any case, it is unlikely that many prospective owner-occupiers will be willing and able to put down a sizeable deposit on a new home that they have not seen, and which they will have to wait many months, or even years, to move into.

For these reasons it is likely that speculative investment is concentrated in London's new-build developments. And while the sale of new-build homes only makes up a minority of all property transactions in London, the huge pressure to resolve London's housing shortage by building more homes makes it one of the most important and politically sensitive parts of the market. If there is significant speculative behaviour in London's new-build sector, and if it does distort the market in some way, it could have serious implications for London's entire housing system.

What proportion of new-build homes in London are bought by speculators?

Data on the intentions of property purchasers is limited, with the most up-to-date source available from the British Property Foundation in 2014. This used the Molior database and telephone interviews with developers to estimate the proportions who buy for different purposes. They found that 61% of new-build properties bought in London in 2013 were purchased by investors of some sort, with 5% being what the BPF term 'Buy to Sell' investors (similar to our definition of speculators)[8].

It is also difficult to identify the proportion of off-plan properties bought by speculators intending on flipping the contract before the home is completed. There is no standardised recording of off-plan sales at the initial stages of marketing a development, and no record kept of subsequent sales by the initial purchaser. Despite anecdotal evidence reported in the media it is impossible to know exactly the scale of this kind of speculation across London as a whole. Our analysis is an early attempt to identify whether off-plan flipping is present in the market, and whether it is limited to high-end central London developments or is in fact more widespread.

[7] Knight Frank, 'International Residential Investment in London', 2013, p3, <http://content.knightfrank.com/research/503/documents/en/2013-1217.pdf>
[8] British Property Foundation, 'Who buys new homes in London and why?', February 2014, p2 <http://www.bpf.org.uk/sites/default/files/resources/BPF-Who-buys-new-homes-in-London-and-why.pdf>

Off-plan sales and speculative investment

Off-plan sales are the purchase of a property in advance of the completion of construction[9]. Often these sales occur before construction of the property has even begun. The right to purchase the property is secured with a deposit, typically of between 5% and 30% of the purchase price, with the remainder payable upon completion of construction. As noted above, while ostensibly available to all types of buyer, in practice off-plan sales are far more attractive to investors than to owner occupiers. While investors may buy off-plan in order to let, or as part of a wider asset portfolio, it is highly likely that speculation is far more prevalent in this group of sales than elsewhere in the market. And within the set of investor purchasers, the sub-set who buy off-plan with the intention of 'flipping' the contract prior to completion will almost all be doing so for short term speculative purposes.

What is flipping?

People who flip their property purchases typically seek to buy off-plan at the earliest stages of planning and construction, securing the right to buy the property with a deposit, and then rely on short term house price rises to sell on that right for a higher price. This is known as 'reassigning' the contract. This nets profit for the original purchaser in the form of the difference between the original value and the resale price. On the reassignment of the contract, the secondary purchaser pays the original purchaser a sum to the value of the original deposit, any fees incurred, and the property price growth since the initial purchase. The secondary purchaser must then pay the remaining balance on the property to the developer on completion.

For example, if an off-plan property is on the market for £300,000, an investor could secure it for a 10% deposit, i.e. £30,000. If property prices rise so that the home would now be worth £400,000, then the first investor could sell on the right to purchase the property to a second investor for £130,000 – ie the £30,000 plus the £100,000 increase. When construction is completed, the second purchaser must pay the developer the outstanding £270,000 to take possession of the home. The second purchaser will then have paid £400,000, the developer will get £300,000 and the first purchaser (the flipper) will have made a **total profit** of £100,000.

***Figure 1**: Case study of an advertisement for off-plan property resale*

Property description

City Quays are proud to present a luxurious studio on the 18th floor in the popular Saffron Tower, in the Saffron Square development, which will feature high spec, contemporary fittings.

urgent sale
Save up to £50, 000
Market Price: £335, 000
Our Cash Price: £285, 000

The Tower will benefit from a spacious 5 star entrance lobby, 24 hour concierge and secure underground parking, with entry to all apartments gained from an electronic phone entry system. A fitness suite and residents lounge is also located at The Tower.

Living Room: 12'9" by 12'8"
Kitchen: 6'0 by 9'8"

Serious offers only! However, all offers will be considered

This is a contract re-assignment whereby you reimburse the current owner the difference between the
1) Agreed Price £285, 000
2) Balance to the developer £ £141, 120
3) A Payment of £143, 880 is required before they transfer the contract to your name on exchange of contracts via solicitors [10]

[9] Foxtons, 'Buying property off-plan', <http://www.foxtons.co.uk/investments/developers/buying-property-off-plan.html>
[10] Screenshot of property listing on Zoopla.co.uk, taken 27th October 2015

Is speculative investment a problem?

Off-plan purchases

In economic theory, speculators are regarded as playing an important market role in providing forward funding for productive activity, and managing the risks associated with it. In this view, a degree of speculation is vital to efficient market operation and price discovery. In the house building sector this is the role played by off-plan purchases, which are useful for reducing developers' risk, providing them with much needed finance at an earlier stage in the construction process. Without the hope of speculative gains there would be no incentive for off-plan purchasers to take these risks, and so total production would be lower.

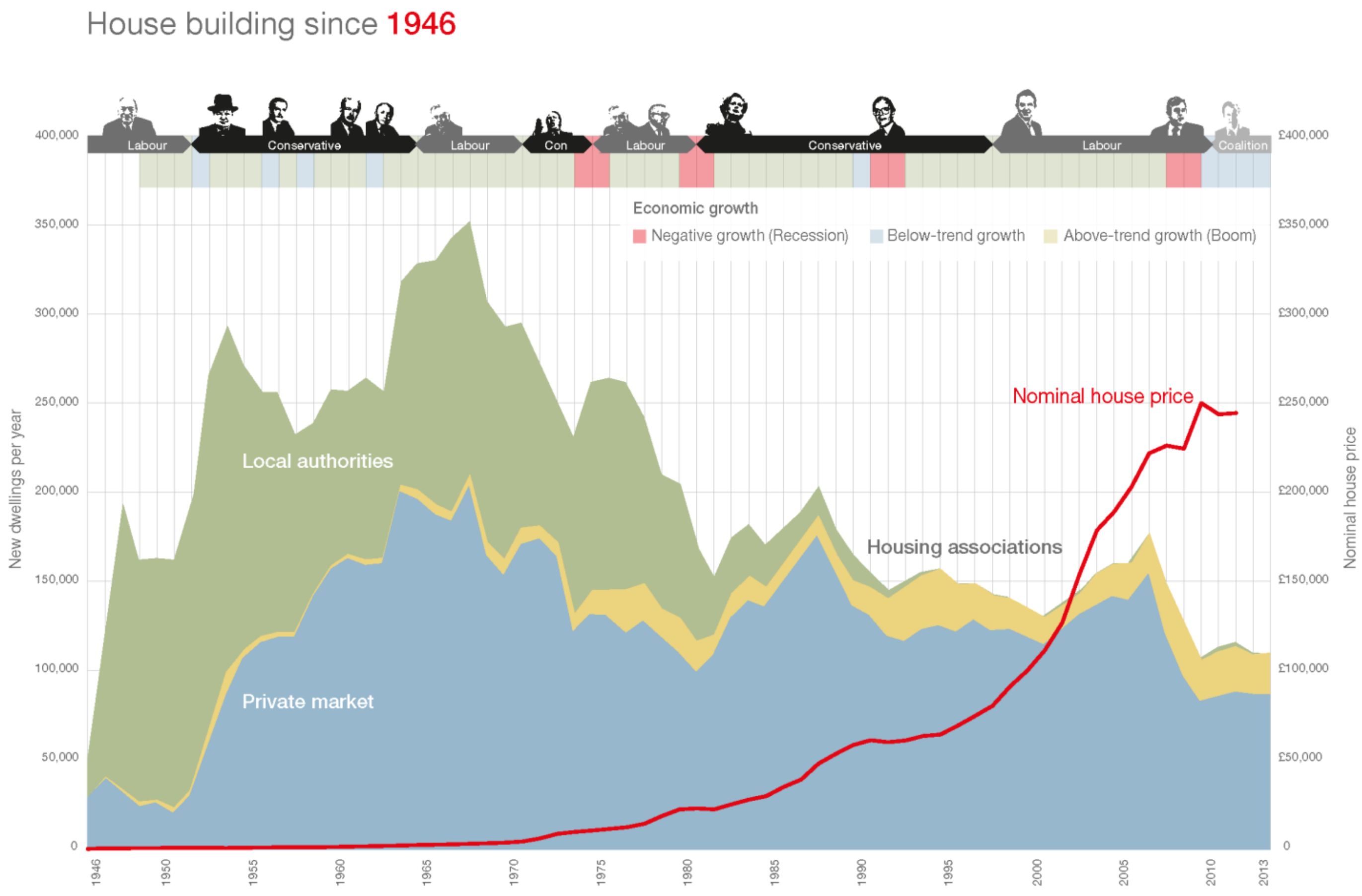
Furthermore, market theory suggests the opportunity for speculative gains should attract additional capital, raising production and lowering prices, and thus reducing the amount of speculative gains that can be made. Speculative investment would therefore have a limited impact on prices, but a positive impact on market liquidity and total production.

But in practice, London's residential development industry is not as responsive as this theory requires. Capital availability is only one constraint on production, and probably a relatively minor one: land supply, planning and construction skills are currently all cited as being more significant limiters of total house building. In a context of constrained supply, additional speculative capital attracted by rising prices is likely to push up prices further than can be justified by the need to attract investment. This will price more Londoners out of the market, at a time when London's housing affordability crisis is reaching critical levels. While it may be difficult to pinpoint exactly how much of the upward pressure on prices can be attributed to speculation, anything that drives the price of homes further out of the reach of ordinary Londoners is, at the least, grounds for concern.

Beyond these very real human impacts, speculative pressure on house prices may also be detrimental to the wider health of the housing economy. Speculative investment in any market has the potential to create price volatility, and in a highly leveraged market like residential property this potential is multiplied, making the risk of potentially dangerous market bubbles very real. By definition, speculative investment creates demand from investors betting on prices increasing: demand that is additional to that provided by potential owner occupiers or landlord investors. The more prices rise, the more incentive there is for speculative investors to enter the market. But by the same token, this additional, short term demand can disappear more quickly than demand from longer term investors. As soon as prices begin to drop, speculative investors may panic and try to sell en masse, flooding the market and causing prices to spiral downwards. Large amounts of speculative investment are likely to increase market volatility, and the intensity of house price rises and crashes.

Housing market booms and busts are clearly damaging to the millions of people who can find themselves priced out, or carrying unsupportable debts, or facing repossession and homelessness. They are also damaging to housing supply: since the emergence of the now-familiar housing market cycle in the 1970s, the total supply of new homes has ratcheted downward with every boom and bust.

Figure 2: *Graph showing housing supply in the UK, 1946-2013*



The drivers of this pattern of sudden output crashes followed by slow output growth are complex, but are bound up in the risks and supply constraints that shape the house building industry. The higher and more volatile house prices are, the greater the risks of investment in house building become, limiting the sector's ability to respond to price signals with greater output. In other words, speculative pressure on house prices is more likely to reinforce the weakness of supply responsiveness than correct it.

Contrary to the conventional economic view of speculative investment supporting greater production, speculation in new build homes may in fact contribute to the persistent pattern of undersupply that has afflicted the UK for decades.

Speculative investment via off-plan purchases may also be distorting *what* the market will build, as well as the total level of output, which in turn may undermine total supply levels by alienating the public. Investors typically prefer standardised units that are easier to value and to trade than the more bespoke, varied homes that owner occupiers prefer. Off plan purchasers, especially those buying via agents from overseas, are less able to make choices on quality, and less likely to prioritise design or room size, or contextual factors like neighbourhood or amenity – all of which are difficult to accurately price, but are what primarily motivate owner occupier decisions. Instead, investors rely on price and locational information above all. So if developers target their output at the investor market, they are more likely to build more standardised, less attractive flats in locations that can be marketed as close to transport links or well-known urban features. There is strong evidence that the prevalence of 'identikit' developments of small, unattractive homes is widely disliked by the public – especially if these homes are perceived to be expensive and targeted at investors[11]. This increases public resistance to new development, and ultimately makes it harder for the planning system as a whole to deliver more homes.

For all these reasons it is fair to assume that a high proportion of new builds going to investors via off-plan sales is likely to have an inflationary impact on prices. At the very least, there could be grounds for concern about the condition of the house building sector, if it remains so heavily reliant on this demand. Nonetheless, it is impossible to prove exactly how much speculative, off-plan purchases of homes may be driving up new build house prices or causing other distortions. Developers' concerns that any restriction on off-plan sales will impact their capitalisation and risk profile in the short run are legitimate, even if, as noted, such sales may be entrenching a longer term pattern of undersupply. In this context, any policy intervention must be mindful of the risk of removing so much demand suddenly, and the uncertainty as to what the results would ultimately be. For example, it is possible that any attempt to restrict off-plan sales would divert speculative capital away from the new build sector, and into the market for existing homes. This would inflate house prices directly, without the mitigating benefit of supporting new supply. There is an argument that, if speculative capital is going to flow into London's property market, it is better that it is at least channelled towards new supply: for this reason we do not believe there is sufficient evidence to support calls to restrict off-plan purchases of new homes across the board.

Flipping

Flipping can be seen as a form of more purely speculative investment, with more enhanced risks and drawbacks. It is more likely than off-plan sales, in general, to inflate property prices, as it more directly attracts additional, purely speculative capital. While some flippers clearly do lose money, most do it because they are able to make a profit from rising prices. While the first off-plan sale improves developer liquidity and so may boost supply, counteracting the inflationary impact of the additional capital, any subsequent flipping brings new money into what is effectively a second-hand market, and so must exert an upward pressure on prices.

Flipping, if widespread, is also more likely to increase price volatility, because these kinds of investors never intend to go through the full property purchase process. Instead, they operate within a small trading window, so their investment decisions are more likely to be divorced from long term supply and demand trends, and are more likely to contribute to the volatility of the market. Indeed, the evidence presented in the next section of this briefing shows just how substantial profits and losses can be when gambling on price increases in this way.

As flipping is a more obviously speculative practice, its prevalence can be expected to be both an indicator of and contributor to speculative market sentiment: if money is seen to be made from flipping it can be expected to feed the perception that London's property market is booming, attracting more speculative capital and – for the short run at least – turning that perception into reality. Easy profits can in turn attract innovation in the financial sector, which can lever in more capital, which risks creating the classic conditions of a bubble market. Bubbles in a leveraged property market have long been associated with crises in wider financial markets– not least the global financial crisis of 2007-08, which had its roots in the boom in US sub-prime mortgage lending.

We do not suggest that flipping London new build property is extensive enough to be capable of financial contagion on the scale seen then, but it is noteworthy that the growth of flipping has recently triggered the creation of 'buy-to-flip' mortgages[12] - innovative financial products which have not been

[11] 73% of the public would support housing developments if homes were better designed and in keeping with the local area, and 44% of the public were more likely to support new housing developments if the homes were larger. Shelter, 'Little boxes, fewer homes', 2013 <https://england.shelter.org.uk/__data/assets/pdf_file/0011/652736/Shelter_Little_Boxes_v4.pdf>

[12] Pickford, J. in Financial Times, 'Riskier loans return to London property market', 22nd January 2016 <http://www.ft.com/cms/s/0/6a8b273c-c04f-11e5-846f-79b0e3d20eaf.html#axzz3yRcjqNat>

offered since the financial crisis. The return of leveraged, high-risk speculation, and in a market as pressurised as that London's new build housing sector, is a potentially ominous sign for the stability of the wider financial system, and indeed the entire economy.

If flipping does generate speculative profits, it does so by extracting value from the development process: if a contract has been successfully flipped, a chunk of the final price paid for the completed home goes to the speculator, not to the developer.

This profit therefore does not get fed back into the development process – either as capital to be invested in further development, or profit to be distributed and act as a signal to trigger additional investment. It is also profit that could, theoretically, have supported greater CIL or Section 106 contributions towards affordable housing or infrastructure.

Even if the need for up-front financing and risk-bearing outweighs all the damaging impacts of price inflation that can be attributed to off-plan sales to speculative investors, this defence cannot be applied to flipping. The resale price of the contract has no impact on the price paid to the developer, so flipping cannot help developers' risk-bearing or market liquidity, over and above that provided by the initial off-plan sale. But by bringing additional capital into a supply-constrained market, flipping clearly can increase property prices – with all of the problems that brings for affordability, the quantum and quality of supply, and wider economic stability.

So whereas speculative investment via off-plan sales as a whole may or may not be doing more harm than good, the same cannot be said of flipping: if flipping is prevalent in a market it is very likely to have a damaging impact on house prices, without significant counter-balancing benefits for the financing of new supply.

Evidence of speculation in the London new-build market

Key findings

- We identified a clear market opportunity and incentive to flip off-plan property contracts:
  - Our simple theoretical calculations show that speculators who flip property in the London market could expect a return on their investment of between 47% and 52%, if house prices were to grow perfectly and evenly.
  - On average London new-build prices, this would represent a profit of almost £30,000 for each studio to £76,000 for each large family home (four or more bedrooms).
- We looked at three central London housing developments that were still under construction, listed on the property website RightMove. None of the homes were fully built at the time of the research. We found that:
  - Flipping is occurring on a large scale: on a single day in August 2015, one in five (18-20%) of the homes on each site were being flipped – the contracts were being offered for resale, even though the homes had not been completed.
  - Profits can be substantial: in one case, we calculated an estimated profit of £346,363 - a 241% return on initial investment.
  - Speculative flipping is not just occurring in so-called 'prime' housing markets: the top profit was for a three bedroom flat on a site in Elephant and Castle.
  - Flipping is a highly risky method of speculation: in some cases, we estimate that speculators were in line for significant losses. This was generally for the more expensive (£1m+) properties in the schemes.

In order to understand the possible extent of speculation in the London new-build property market, we looked at three research questions:

1. What creates the incentive to flip off-plan properties?
2. Is flipping occurring in the London new-build property market?
3. What profits and losses are potentially being made by flippers?

1. What creates the incentive to flip off-plan properties?

We wanted to demonstrate the clear market opportunity to flip off-plan contracts for profit.

We did this by calculating the potential gains arising from flipping off-plan sales which make speculating in this way so attractive. Our theoretical calculation is based on the average price of all London new-build properties, a standardised rate for initial deposits and fees, and the current rate of annual property price rises.

Average price of London new-build properties[13]

We calculated an average price for London new-builds[14] based on the minimum space standards required in the London Plan, and average price per square foot. Where more than one size is indicated for the same number of bedrooms (depending on number of people in occupancy), we have used the lowest[15].

Price growth, profit, and percentage return achieved

To calculate the secondary price, we use the rate of annual price growth of London new-build property as of June 2015 (ONS) to the initial prices. This is listed as a one-year change of 8.2%[16].

When an off-plan contract is assigned by the initial purchaser to a second buyer, as shown in Figure 1, the initial purchaser receives a payment from the secondary purchaser to the value of the initial deposit and fee paid, plus the difference between the initial asking price and the current agreed sale price of the home. The profit made is therefore the difference between the initial and current prices. We calculated the percentage return on investment using the initial deposit and fee, and the profit.

It is important to acknowledge that this section of the analysis is entirely theoretical. It shows the gains that would be made in a vacuum, in which prices rise perfectly and exactly according to the past average rate of growth. It does not account for variation between developments and areas, or economic influences outside those of the property market.

The calculation we conducted, using available data for the London property market, identifies the opportunity for flipping to generate significant returns on investment. It showed potential returns of between 47-52%, depending on the size of property.

A full table of findings is available in the appendix.

This model in itself does not prove that flipping is occurring. What it does demonstrate is that there is a realistic market opportunity available within this process, that some investors could reasonably be expected to take.

[13] A table showing the minimum square footage and predicted asking price by size of property can be found in the methodology section of the appendix.
[14] The space standards are outlined in the Mayor of London's 'London Plan March 2015' (Table 3.3, p116).
We have taken the average price per square foot of £1000[15] from the Estates Gazette's 'London Residential Market Analysis 2015' (p4).
[16] Office for National Statistics, House Price Index, June 2015, Table 14 <http://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/previousReleases>

2. Is flipping occurring in the London new-build property market?

Having identified the potential for investor activity in this area of the market, and noted anecdotal references to the practice occurring, we wanted to ascertain concrete evidence of speculative flipping in London. To do this we looked at listings on RightMove.co.uk on a single day in August 2015 for three Central London developments, on which construction hadn't yet been completed.

The lack of standardised recording of off-plan sales means it is impossible to do a market-wide analysis; we therefore chose to base our analysis on specific, named developments. The developments chosen for this analysis were selected solely based on the stage of development and marketing process they were in at the time of conducting the research. **Their inclusion is not intended to be a reflection on the developments themselves or their developers** – instead, they are used as a means of understanding the broader phenomenon of flipping in London.

Choice of developments

One the Elephant is a Lend Lease development in Elephant and Castle. It is comprised of a 37 storey tower and four storey 'pavilion' and is due for completion in 2016[17]. It will form part of the Elephant Park complex.

The Eagle and Eagle Black is a 26 storey expansion of an existing block by Mount Anvil on City Road, Islington. It was completed in late 2015[18].

South Bank Tower is a 41 storey expansion and redevelopment of an existing block in the South Bank area, due for completion in early 2016[19]. It is being developed by CIT and Jadwa Investment.

Evidence gathering

We collected information on the amount of properties for sale in each development, along with the prices they were listed at. We then compared the number of properties available for sale with the total amount of properties in the building, to calculate the proportion of the building available for sale on the day the data was collected.

On the day we conducted our research, between 18-20% of homes in the three developments examined were available for re-sale. While more data and analysis is needed to confirm the prevalence of flipping, our analysis confirms its existence – and suggests that it may even be more widespread than has previously been reported.

3. What profits and losses are potentially being made?

As outlined above, there is plenty of anecdotal evidence available to suggest flippers are able to make vast profits and losses. Having identified clear cases of flipping occurring in the three developments, we wanted to find out an indication of the kinds of profits and losses being made. To do this we calculated average initial asking prices, and by extension initial expenditure. We then calculated the

[17] Elephant and Castle/Lend Lease, 'FAQs' <http://www.elephantandcastle-lendlease.com/about/faqs>
[18] The Eagle, 'Celebrating Community & Legacy at The Eagle's Completion Party', 17th December 2015, <http://www.mountanvil.com/news-updates/celebrating-community-legacy-eagles-completion-party-2525/>
[19] South Bank Tower, 'SOUTH BANK TOWER OPENS DOORS WITH STAR-STUDDED PARTY IN THE SKY', <http://southbanktower.com/southbank-stories/>

average asking prices at the time of analysis. From these figures we calculated the potential profit or loss, and percentage return on investment.

Initial asking prices

The payment of deposits for off-plan properties is a simple private transaction between the developer and purchaser. The transaction does not have to be publically registered with the Land Registry until both the property and the sale are completed, meaning it is impossible to access comprehensive public information on the deposits paid (and the asking prices they are based on) until sales are completed.

In order to calculate initial asking prices, we used data from a range of sources. EGi London Residential Research provided data on some of the initial asking prices for the three developments. However this data represents only a sample of properties of a given bedroom size within each given development. To ensure our estimates of initial asking prices were not based on properties of different sizes or placing in the development than those in the current asking price sample, we calculated an average initial price by number of bedrooms.

To do this, we used the EGi London Residential Research data to calculate the average price per square foot of each kind of property within each development. We used the brochures and floorplans of each of the three developments to determine the sizes (by bedroom) of homes available, how many of each kind were available, and the size (in square feet) of individual properties. We then used this data to calculate the average size in square feet of each bedroom size of property within the developments.

We then estimated asking prices by number of bedrooms for each development by combining the average price per square foot with average square footage. This means that the findings do not show the exact figures for these three developments. What they do allow us to calculate is the best approximation of the initial asking price.

Initial expenditure

Off-plan sales involve the payment of an initial deposit and fee to secure the right to purchase the property. Information on deposits and fees for the three developments we looked at has been removed from developers' websites. Media stories and developers' own guides to off-plan purchases report deposits of anywhere between 5% and 30%, and fees of anything up to £3500. Because of this wide variation, we have used a standard deposit of 15% of the initial asking price, less a £3000 fee[20].

Current asking prices

To gather current asking prices we looked at listings on RightMove.co.uk on a single day in August 2015. We calculated the average current asking price using the number of properties listed for sale on each development; the size of the properties (by number of bedrooms) and the current asking price in each listing.

[20] The Zoopla case studies from One the Elephant reference a reservation fee of £2,500; as this is not an official source of information regarding the initial marketing period, we have chosen to retain the £3,000 figure for the purposes of the analysis.

Profit and percentage return achieved

The profit and percentage return were calculated in the same way as outlined for the model above.

Findings

Figure 3: *One the Elephant*

	Number of flats (total)	Average asking price	Number of flats for resale RightMove.co.uk 26/08/15	Percentage of properties available for resale	Average current price	Price percentage increase	Initial deposit	Fees £3000	Profit	Percentage return on investment
Studio	12	£325,708	3	25%	£363,333	12%	£48,856	£3,000	£34,626	67%
1 bed	112	£441,616	19	17%	£522,997	18%	£66,242	£3,000	£78,382	113%
2 bed	136	£608,855	29	21%	£709,441	17%	£91,328	£3,000	£97,586	103%
3 bed	24	£937,637	7	29%	£1,287,000	37%	£140,646	£3,000	£346,363	241%
Total	284		58	20%						

Our analysis suggests that average prices in One the Elephant have risen by between 12% and 37% since the initial sales period (when the first off-plan sale was made). Returns on purchases flipping these homes, based on these price increases, range from 67% to 241%. The largest profit here would be £346,363, on an initial deposit of £140,646 for a three bedroom home.

Of the three developments looked at, properties in One the Elephant would have been the most lucrative investment. Flippers would have made a profit on each of the different types of property in the development.

Figure 4: *The Eagle and Eagle Black*

	Number of flats (total)	Average asking price	Number of flats for resale RightMove.co.uk 28/08/15	Percentage of properties available for resale	Average current price	Price percentage increase	Initial deposit	Fees £3000	Profit	Percentage return on investment
The Eagle - 8th-21st floors										
Studio	14	£505,833	2	14%	£535,000	6%	£75,875	£3,000	£26,167	33%
1 bed	28	£651,616	11	39%	£744,091	14%	£97,742	£3,000	£89,474	89%
2 bed	42	£869,754	9	21%	£1,039,444	20%	£130,463	£3,000	£166,690	125%
3 bed	28	£1,014,273	3	11%	£1,075,000	6%	£152,141	£3,000	£57,727	37%
Eagle Black - 22nd-26th floors										
1 bed	4	£917,439	1	25%	£945,000	3%	£137,616	£3,000	£24,561	17%
2 bed	10	£1,560,165	1	10%	£1,550,000	-1%	£234,025	£3,000	-£13,165	-6%
3 bed	6	£1,650,572	0	0%	-	-	-	-		
Total	132		27	20%						

Our calculations suggest that all but one of the homes in The Eagle and Eagle Black development would have made a profit, with returns ranging from -6% to 125%. The largest profit here would be £166,690 on an initial deposit of £130,463 for a two bedroom home. In contrast, the greatest projected loss would be £13,165 on an initial deposit of £234,025.

Figure 5: *South Bank Tower*

	Number of flats (total)	Average asking price	Number of flats for resale RightMove.co.uk 27/08/2015	Percentage of properties available for resale	Average current price	Price percentage increase	Initial deposit	Fees £3000	Profit	Percentage return on investment
Levels 11-19										
Studio	9	£725,973	4	44%	£671,250	-8%	£108,896	£3,000	-£57,723	-52%
1 bed	55	£1,001,108	17	31%	£1,021,529	2%	£150,166	£3,000	£17,421	11%
2 bed	31	£1,764,996	5	16%	£1,919,000	9%	£264,749	£3,000	£151,004	56%
Levels 20-31										
2 bed	20	£2,761,230	1	5%	£2,575,000	-7%	£414,185	£3,000	-£189,230	-45%
3 bed	40	£3,370,844	3	8%	£2,961,667	-12%	£505,627	£3,000	-£412,177	-81%
Total	155		30	19%						

The estimated results for South Bank Tower are more evenly split between profit and loss than the other developments. Two sizes of home would make a profit, and three sizes of home a loss. The estimated percentage returns for these homes range from -81% to 56%. The largest profit would be £151,004 on an initial deposit of £264,749. The greatest loss would be £412,177 on an initial deposit of £505,627.

This development in particular shows the risks inherent in such a highly leveraged means of speculative investment.

Limitations of the analysis

It is hard to assess exactly the prevalence of flipping in the London property market, due to the lack of publically accessible, standardised data – or even standardised registration of these kinds of property sales. This lack of data means we cannot calculate the exact returns individual speculative flippers are achieving in the three developments we looked at. We therefore based our analysis on asking prices, providing the best possible indication of the kinds of sums being made.

We have had to use data from a range of sources. We have therefore been cautious with the data and based our calculations on averages where appropriate. Where there was a mismatch between the number of properties in each development reported in news articles, and the number present in plans, we have used the number counted in the developers' own plans as the total figure for the purpose of this analysis.

It is also important to note that initial asking prices are not necessarily what the property will actually have sold for. Equally, current listings on RightMove may not eventually sell for the price they are listed at. We have used these figures as indicative of what is likely to be paid, to provide an estimate of the profits that can be made through this process of reselling.

Analysis

Flipping is occurring, and the potential profits are large

Each of the developments looked at in our analysis showed evidence of investors flipping off-plan purchase contracts for profit. This supports the theoretical findings from the model that there is a clear incentive to speculate in this way: as long as property prices continue to increase, there is likely profit to be made from this kind of market trading.

The levels of risk involved are high

These findings also show that the risks inherent in flipping off-plan property are significant. Buyers only pay the cost of the deposit on the home (typically around 15% of the full price). However, they benefit from all increases on the full value of the home, and are liable for all decreases to the full price of the home. Large profits are possible, but so are significant losses. In the cases shown above, these losses would be against the initial deposit invested.

For example, in the case of a studio in South Bank Tower, the speculator's investment would be the initial deposit of £108,896, against an asking price of £725,973. At the time of analysis, the average asking price for a studio in South Bank Tower had dropped to £671,250 – a drop of £54,723, or 8% of the total value. This loss would be against the initial deposit invested, resulting in a 53% loss on investment – a total of -£57,723. On resale, therefore, the initial purchaser would receive £51,173 to offset against their initial investment[21].

The concentration of losses at the higher end of the market could be related to tax changes – as outlined in the next section. But they could also be an indicator that the high end of the market is overvalued.

In the most extreme cases of house prices falling, the market value could drop further than the value of the deposit. In this scenario, the initial flipper may well sell on the contract and still be liable themselves to pay the difference between the agreed and the market price.

Another risk is that the process is not a simple buying and selling transaction: the first person that buys the contract for the home remains part of the process, even if that contract is subsequently bought and sold by various different people. The builder sends notice of completion to the first buyer, not the person who currently owns the contract (if the contract has been flipped). The first buyer also remains part of the final payment process, which can create its own problems, as this account from the HomeOwners Alliance shows:

> 'In our case, the original purchaser was in Russia, so if something went wrong after we paid him, we would lose our money. Maybe the builder would be liable for the original deposit, but the original buyer's profit (a substantial amount) would be in Russia. The

[21] It is unclear what would happen if the fall in price was greater than value of the initial deposit – whether this would mean the initial investor paying the difference to the secondary purchaser at the time of sale, or to the developer at the completion of construction.

> resolution involved the original buyer's solicitor retaining some funds and not releasing them to his client until things had gone through. I do not know how common this is, or whether the situation would have been different had he been in another jurisdiction.'[22]

The person left with the deposit has to pay the original price to the developer once the home is completed, even if prices have fallen between this price being agreed and the home being built. If property prices fell, they would likely struggle to secure a mortgage for this amount[23].

Our analysis of a sample of resales demonstrates both the 'easy money' to be made from speculating on prices, and the concurrent risks. As this kind of investment is highly leveraged, even the slightest difference in price can lead to a dramatically high profit or a much greater loss.

[22] HomeOwners Alliance, 'Member's experience: buying a new build contract reassignment', 3rd September 2015, <http://hoa.org.uk/2015/09/members-experience-buying-a-new-build-contract-reassignment/>

[23] The Observer, 'Dig deeper before opting to buy your home off plan', 17th November 2013 <http://www.theguardian.com/money/2013/nov/17/buy-home-off-plan-caution>

How does the existing policy framework affect speculation?

There are two main policy levers that can influence incentives to speculate, and moderate or even curtail speculative behaviour: taxation and direct legal restrictions on transactions, which are normally enforced by the system of property registration. The relevant existing measures in both categories were designed to combat other issues than those explored here – so any impact on speculative activity in new build property markets, and flipping in particular, is largely an unintended consequence.

It must be said, however, that it is extremely difficult to design policy to discourage an activity that is not comprehensively understood. It is for this reason that our recommendations at this stage focus on registration and monitoring, rather than deterrence.

Taxation

There are three key taxes relevant to property transactions in the UK: stamp duty, capital gains tax, and annual tax on enveloped dwellings. While each capture some speculative transactions, none tackle speculation in its entirety, and only one captures off-plan flipping. In some circumstances, speculative transactions could even avoid all three taxes.

How do property taxes apply to speculative investors?

	Stamp Duty Land Tax	**Capital Gains Tax**	**Annual Tax on Enveloped Dwellings**
What kind of property is the tax applicable to?	Existing properties	Existing properties & 'the right to purchase a UK residential property 'off-plan''. But Principal Private Residence Relief applies to owner occupiers, meaning that most home sales do not incur CGT.	Existing properties
When is the tax payable?	On purchase	On sale	Annually
Who is the tax applicable to?	Individuals & companies	Individuals & companies	Companies
What is the minimum threshold?	Properties worth £125,000 or over	Gains over the annual tax-free allowance, currently set at £11,100	Properties worth £1 million or over

Are there any exemptions relevant to speculative investors?	None	Diversely-held companies, widely-marketed unit trust funds, open-ended investment companies and their foreign equivalents, widely-marketed schemes, unit trust schemes or foreign equivalents with a 'qualifying investor', or '[a] company carrying on life assurance business where the UK land being disposed of was held for the purposes of providing benefits to its policy holders'.	None

Stamp duty is payable on completion[24] of the purchase of a property[25]. In the context of off-plan purchases it is therefore not payable until the end of the process, when the right to purchase the property is acted on (ie the property has been fully constructed and the person, who at that point holds the contract assignment, buys the property). Therefore, when flipping off-plan purchases, the person who initiates the process with the developer would not be liable for stamp duty. No matter how many times the right to purchase is sold on, only one person ever pays stamp duty on the new property.

The only form of tax which would be applicable to flipping is capital gains tax. According to the Taxation of Chargeable Gains Act 1992, '[a]ll forms of property shall be assets for the purposes of this Act [including] … incorporeal property generally'[26]. For non-UK residents, capital gains tax is explicitly highlighted as payable on disposal of 'the right to purchase a UK residential property 'off-plan''[27]. This is subject to the profit being more than the tax-free allowance.

However, as set out in the table above, many non-resident *organisations* are exempted from CGT. It is theoretically possible that organisations falling under the exempt category, who flip their off-plan contract, could stand to make significant tax-free profits.

[24] For a definition of completion in this context please see: <https://www.gov.uk/buy-sell-your-home/transferring-ownership-conveyancing>
[25] Gov.uk, 'Stamp Duty Land Tax: Overview', 5th May 2015, <https://www.gov.uk/stamp-duty-land-tax/overview>
[26] Legislation.gov.uk, 'Taxation of Chargeable Gains Act 1992', Section 21 (1), <http://www.legislation.gov.uk/ukpga/1992/12/enacted>
[27] Gov.uk, 'Capital Gains Tax for non-residents: UK residential property', 6th April 2015, <https://www.gov.uk/guidance/capital-gains-tax-for-non-residents-uk-residential-property>

Impact of stamp duty changes

Changes to Stamp Duty Land Tax[28], brought in on 4th December 2014[29], may have had some impact on investment at the top end of the market.

Construction on all the developments looked at in our analysis began before these stamp duty reforms were announced in the Autumn 2014 Budget. Anyone who purchased any of the properties in these developments off-plan would therefore have been presuming they would resell under the old stamp duty system (with the exception of some final properties in the South Bank Tower marketed in January 2015[30]). Although stamp duty is not payable by the initial purchaser as it is only due on completion, whoever holds the right to purchase on completion of construction is required to complete the purchase and pay stamp duty.

The new system may therefore discourage potential buyers from paying such high prices, and force the initial investor to sell their right to purchase at a loss, to avoid being left liable for the full cost of the property. Although none of the losses shown in our analysis involve prices being forced into a lower tax bracket, the blanket 12% rate above £1,500,000 may have pushed prices down even above that threshold. It is impossible to quantify exactly what impact these reforms have had, as we do not know what the same properties would be on the market for if the old system had remained in place, but it could certainly be a contributory factor to losses at the higher end of the properties analysed, such as those in South Bank Tower and Eagle Black.

These changes may also, however, have an unintended impact of making speculation more profitable in the 'regular' market than the higher-end market.

Registration

All property transactions must be recorded by the Land Registry. Not all property titles are registered, but without registration it is impossible to sell a home, or to raise a mortgage against it, so for all intents and purposes registration applies to all new build property. Title deeds registered at the Land Registry are publicly available, although at a cost, and once paid for they may not reveal the identity of the ultimate owner of a home or other property. Partly as a result of this incomplete picture, and due to concerns about the impact of speculation, there is an ongoing debate around transparency of the ownership of property in London. This debate touches on many complex issues, including corruption, tax avoidance, migration, and foreign ownership of property – which are not the subject of this briefing. However, some of the registration measures being brought in to tackle these issues could result in greater understanding of the scale of speculation in London property.

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[28] Previously to this, stamp duty was based on a 'slab' system. This meant that successively higher rates were charged on the entire purchase price, depending on what band the property fell into. This led to discrepancies in tax on very similarly priced properties around the upper and lower limits of each band. The new system, in contrast, is incremental, much like income tax. Purchasers pay tax proportionally according to the amount of the purchase price which falls into each tax band.

[29] HM Treasury, Autumn Statement 2014, 3rd December 2014 <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf>

[30] EGi London Residential Research data analysed by Shelter, 2015

David Cameron in July 2015 announced the establishment of a publicly accessible central register of foreign companies' land ownership. There was also a suggestion of a consultation on the expansion of the register of true owners of companies to include property ownership[31]. This would, however, only cover overseas-registered companies with a UK government contract, which would leave many still outside its remit[32].

This was introduced with the aim of tackling corruption and money laundering by improving transparency in the market for existing homes. However, there is also a significant issue with transparency related to homes sold off-plan. Until construction is completed and the property purchase is complete, the payment of an off-plan deposit is essentially a private transaction between developer and buyer – as is any subsequent flipping of the contract. Under the existing system, there is no requirement for central registration of these transactions, and they are unlikely to be captured under the new measures. While both property taxation and registration requirements have been tightened recently, neither measure is likely to have a significant impact on speculative investment in London's new build sector.

Off-plan sales and flipping in Dubai: The Dubai Land Department established a system called Oqood in 2008, which 'automates, regulates and monitors the off-plan properties market'. All sales and resales of off-plan property must be registered through this system, or the sale becomes void[33]. This system assures both buyers and sellers that their transaction is secure, clarifies liability of payment for the developer, and allows the Dubai Land Department to monitor the market.

A similar system in London could fulfil both of the recommendations put forward in this briefing, and be funded by a registration fee for each transaction.

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[31] The Guardian, 'David Cameron vows to fight against 'dirty money' in UK property market', 28th July 2015, <http://www.theguardian.com/politics/2015/jul/28/david-cameron-fight-dirty-money-uk-property-market-corruption>
[32] Ibid.
[33] Oqood, <http://www.oqood.ae/OqoodPortal/PortalLogin.aspx?ReturnUrl=%2fdefault.aspx>

Conclusions

Our analysis gives an indication of the role that speculative investment plays within the London new-build property market – in particular the practice of flipping off-plan sales. But without a robust system of recording and tracking these transactions, it is impossible to know exactly what the scale and impact of this kind of investment is.

However, the potential implications of this market activity are worrying. This is especially the case if speculation shifts from the prime market towards the regular market. Speculative pressures help push house prices upwards: as well as pricing out ordinary Londoners in need of homes, they drive price volatility, increasing the likelihood of a potentially damaging crash. Any increase in the speculative practice of flipping, and especially leveraged flipping, may be a warning sign that the market is overheating dangerously.

This makes it all the more important for the next Mayor of London to understand the scale and impact of speculation in general, and flipping more specifically.

Introducing comprehensive registration and monitoring of off-plan sales and resales would be an extremely helpful first step. Only when the scale of the issue is properly understood can effective measures to tackle it be considered.

We recommend two immediate reforms, intended both to regularise the speculative market and to enable robust monitoring.

Standardised legal process for off-plan sales and resales

A standardised legal process should be introduced for this type of transaction, with a standardised documentation. This would ensure greater security, both for the purchaser and the developer. It would also increase clarity around resales. These types of transactions sit at an intersection between the mainstream property market and the financial market – both of which are much more monitored, standardised and regulated than the off-plan sales market currently is. It therefore makes sense to bring practice in these markets into line with each other, to eliminate loopholes and minimise the opportunities for fraud.

Central register of off-plan sales and resales

As things stand, there is no central recording of off-plan transactions. They do not currently fall within the remit of transactions recorded by the Land Registry, as they are private contracts between developer and purchaser. Our analysis indicates this practice could be growing, but it is impossible to know quite how widespread this type of sale is. It is also impossible to know, therefore, how prevalent the practice of reselling off-plan contracts is – or how much it is driving up house prices, or how much value is being extracted by the practice that could otherwise be channelled to support affordable housing.

A central register of these transactions would go a long way to improving our understanding of this area of the market. It would ensure transactions are properly certificated and secure. It would be most logical for this to be administered by the Land Registry, and a fee could be levied to cover costs. This would reveal the scale of speculation, enable the monitoring of the market over time, and the identification of trends and any market impacts.

Taken together, these modest and reasonable reforms would bring the market in off-plan sales into line with the rest of property market, and provide the evidence authorities and researchers alike need to properly understand the scale and impact of this type of market activity. Should this evidence demonstrate that speculative purchases do negatively affect the amount, type and price of new homes in London, it will also enable the design of effective policy interventions to regulate speculative behaviour and moderate its negative impacts.

Despite the paucity of hard data, there is sufficient evidence that speculative behaviour is both common and potentially problematic. The next Mayor of London should take sensible steps to regularise and monitor this market, before it gets out of hand.

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Appendix

Methodology

What is the incentive for speculating on property prices in this way?

Type of property	Minimum size of property	Predicted asking price
Studio	398 sq ft	£398,000
1 bed	538 sq ft	£538,000
2 bed	657 sq ft	£657,000
3 bed	797 sq ft	£797,000
4 bed	969 sq ft	£969,000

Findings

What is the incentive for speculating on property prices in this way?

Size of property	Minimum required size in square feet	Initial price	Deposit at 15% of price	Fees	Secondary price	Initial purchaser receives (deposit + house price inflation)	Profit	Percentage return
Studio	398	£398,000	£59,700	£3,000	£430,636	£92,336	£29,636	47%
One bed	538	£538,000	£80,700	£3,000	£582,116	£124,816	£41,116	49%
Two bed	657	£657,000	£98,550	£3,000	£710,874	£152,424	£50,874	50%
Three bed	797	£797,000	£119,550	£3,000	£862,354	£184,904	£62,354	51%
Four + bed	969	£969,000	£145,350	£3,000	£1,048,458	£224,808	£76,458	52%