



KALMARs

SPRING QUARTERLY
MARKET REVIEW 2019

SOUTH LONDON'S LEADING AGENTS



KALMARs LEADING SOUTH LONDON'S COMMERCIAL AND RESIDENTIAL MARKET FOR 3 GENERATIONS

04	Market Overview
06	SE1 Central Office Market
08	Decentralised Office Market
09	Retail Market
12	Industrial Market
13	Residential Sales
14	Residential Lettings
15	New Homes
16	Development
17	Co-working Space
18	Applicants
19	Meet The Team



MOST ACTIVE AGENT BY
NUMBER OF DISPOSALS



MOST ACTIVE AGENT BY
NUMBER OF INSTRUCTIONS



Q1 2019 AT A GLANCE



STRONG DEMAND
for residential lettings



concern over
BREXIT



FALL
in residential sales



CREDIT
still readily available



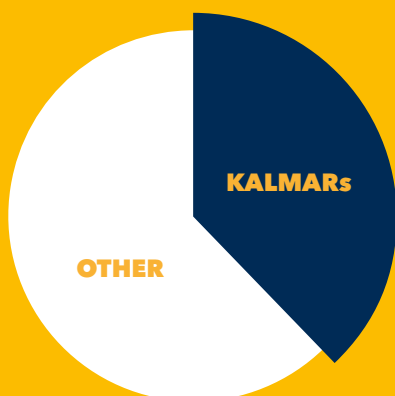
INDUSTRIAL RENTS
reach 5 year high



INDUSTRIAL
high demand

With excellent transport links and ever-increasing dining and leisure amenities, the South Bank, and South London in general, is becoming a location of choice

KALMARs MONOPOLISE THE SOUTH BANK OFFICE SALES MARKET



In March there were 16 offices* available for sale in SE1, 6 of these through KALMARs, 3 times more than any other agent.

RESIDENTIAL STRENGTH

92%
NOW UNDER OFFER

KALMARs are marketing 53 apartments in New Pier Wharf, Surrey Docks SE16. 92% are under offer two months before building completion.

2019 FIRST QUARTER



Looking back at our last quarter's review, it was dominated by Brexit.

I wish I could say that this was no longer the case but, unfortunately, it remains a significant brake on the market with many buyers playing a wait and see game. Nonetheless there are areas of continued strength including:

- Co-working. As well as the headline deals by We Work taking large areas of space around Waterloo. There is good demand from many smaller operators such as arts groups that have effectively morphed into serviced office providers, albeit their margin is high, therefore when renting they pay relatively low rates.
- Industrial/warehouse continues to have the largest gap between supply and demand as central London becomes increasingly less appropriate for low density factory/warehouse use.
- Hotels sites have also proved particularly popular. It is frustrating that planning authorities do not universally support this employment use with its beneficial knock on effect on other businesses.
- TMT leads offices developments across South London, and has been demonstrated by Apple taking 500,000 sq ft at Battersea and many large occupier and investment deals being agreed on the South Bank. The lack of supply in the pipeline has meant that developers like British Land have reported a high level of pre-let demand for their 2m sq ft development proposed at Canada Water.

Money supply has been strong throughout the quarter. We wait and see whether confidence has finally been eroded by the political problems that we face. It is difficult to predict the ongoing market for the rest of 2019 without any clarity on Brexit. We can only repeat our comments of a few months ago that, this should be resolved 2019 could be a strong year. This would mean that the slight dip in office rents that has taken place across South London since the peak in 2017 could fully recover. Watch this space.

Richard Kalmar

Managing Director KALMARs



Annual asking
rents soften

10% dip in available
office space

Short lease lengths
favourable

SE1 CENTRAL OFFICE MARKET

The central office market in SE1 saw annual asking rents continue to soften to £50.74 per sq ft during Q1 2019, falling back from the all-time high of £53.90 witnessed in mid-2018. Companies within the creative and technology sectors continued to dominate both enquiries and lettings.

Total available office space across the market dipped slightly in Q1, by approximately 10%. Looking forward to 2019, this suggests that rents will continue to remain steady in the near term.

Sale prices also softened slightly in Q1, with economic uncertainty driving businesses to favour leasing for relatively short terms rather than making long-term commitments.

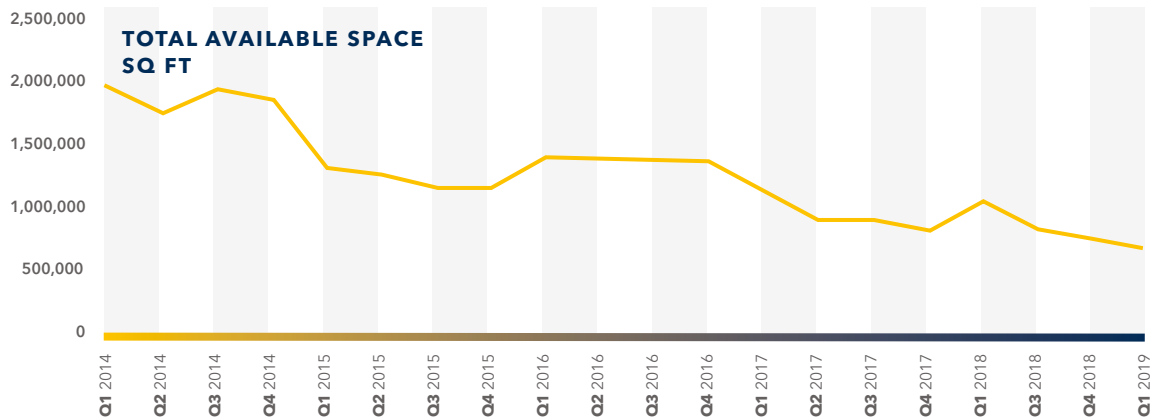
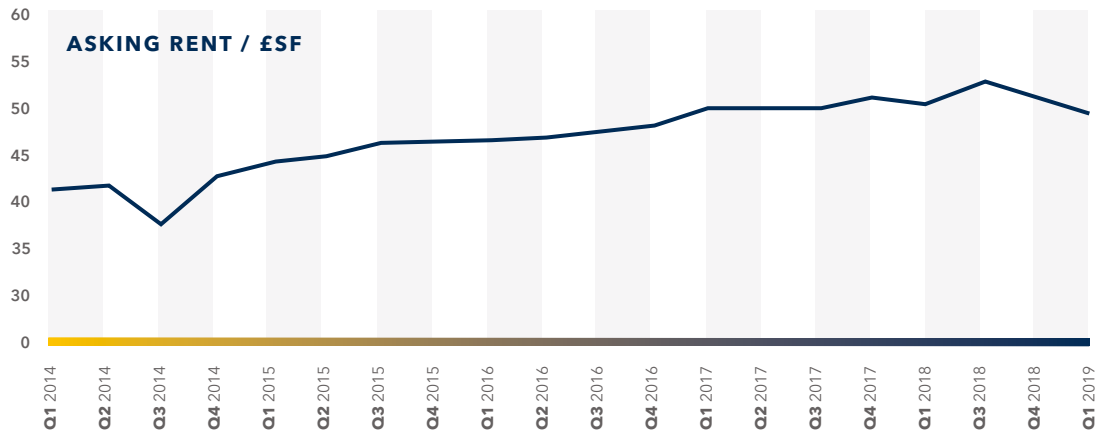
CURRENT VENTURES



THE PAVILION - EMPIRE SQUARE, LONG LANE, SE1
3,300 sq ft | £2,700,000



43 TANNER STREET, LONDON, SE1
5199 sq ft | £234,000 pa



DECREASE
In total available sqft



LLOYDS WHARF - 2 MILL STREET, SE1
2,350 sqft | Price On Application



Property still popular with
**CREATIVE AND
TECHNOLOGY SECTORS**

Plentiful supply
of office space

Market 'treading water'
over Brexit uncertainty

Transport a key factor
in location strategies

DECENTRALISED OFFICE MARKET

While there has been a plentiful supply of offices on the market in the decentralised and suburban markets of South London during the first quarter of 2019, demand has been lower than previously.

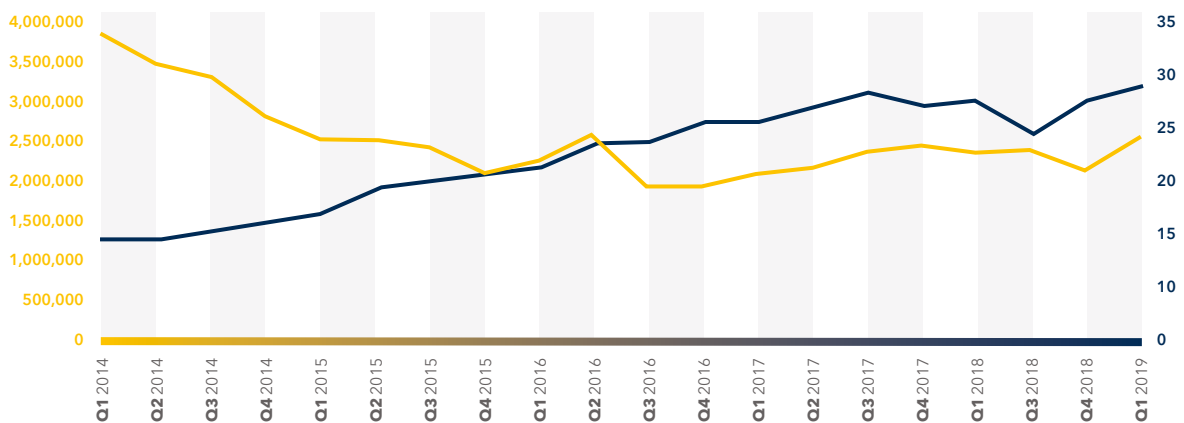
The uncertainty surrounding Brexit negotiations has been a major influence, with many small and medium size enterprises

simply 'treading water' with regard to their business growth and investment plans. The prospect of a 'No Deal Brexit' was a particular concern to many businesses and had a direct impact on the market.

Demand has focussed on locations with good transport links, particularly those near rail and tube stations.

TOTAL AVAILABLE SPACE SQ FT

ASKING RENT £/SF



196 SOUTHWARK PARK ROAD, LONDON SE16
£850,000



BOATMAN HOUSE, JAMAICA ROAD, LONDON SE16
£500,000



83 LAMBETH WALK, LONDON SE11
£270,000

Good demand for prominent properties

Lower demand for secondary locations

Buyers' market adds downward pressure on values

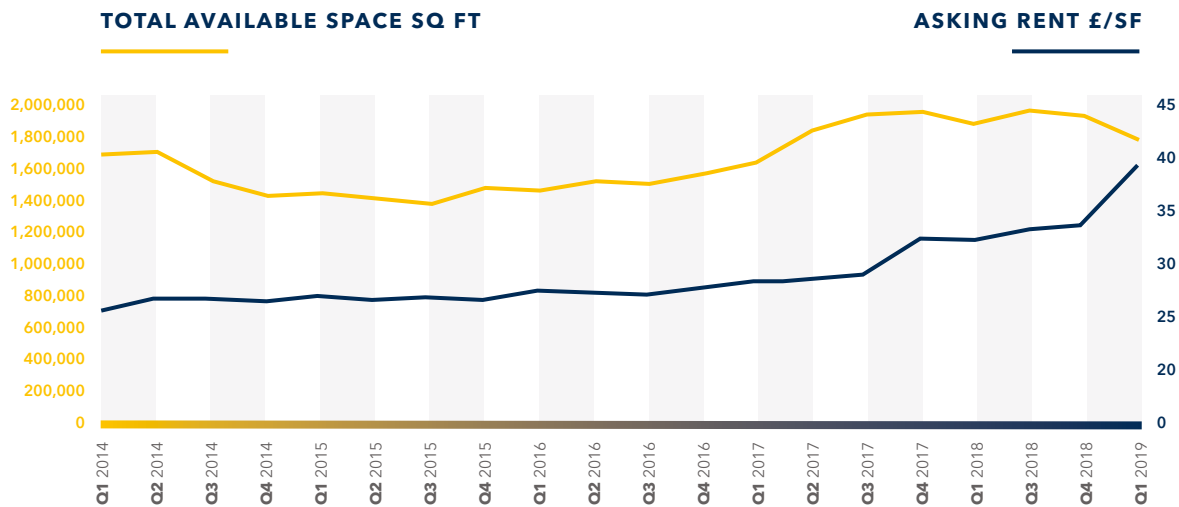
SOUTH LONDON RETAIL MARKET

Activity in South London's retail property market slowed during Q1 2019. While there is good demand for "high street" units in prominent positions, the time properties remain on the market before an offer is obtained increased.

At the same time, while values are holding steady for well-located and prominent retail

properties in the popular locations, there has been a fall in the number of occupiers willing to take properties in secondary positions.

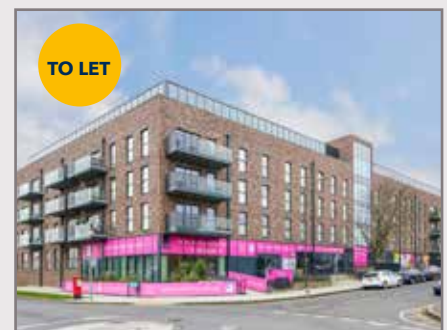
Levels of availability have risen in Q1. While this provides retailers with a greater choice, the high levels of supply are causing downward pressure on rents and freehold values.



196 SOUTHWARK PARK RD, LONDON SE16
For Sale- £235,000 for the long lease
To Let - £18,500 pa



280 BOROUGH HIGH STREET, LONDON SE1
£80,000 pa



DYLON WORKS, 7 STATION APPROACH, LONDON SE26
£55,000 pa

“

It is difficult to predict the ongoing market for the rest of 2019 without any clarity on Brexit.

KALMARs





Average asking rents
increased in Q1

Quoting industrial rents
reach 5 year high

Low supply and
high demand

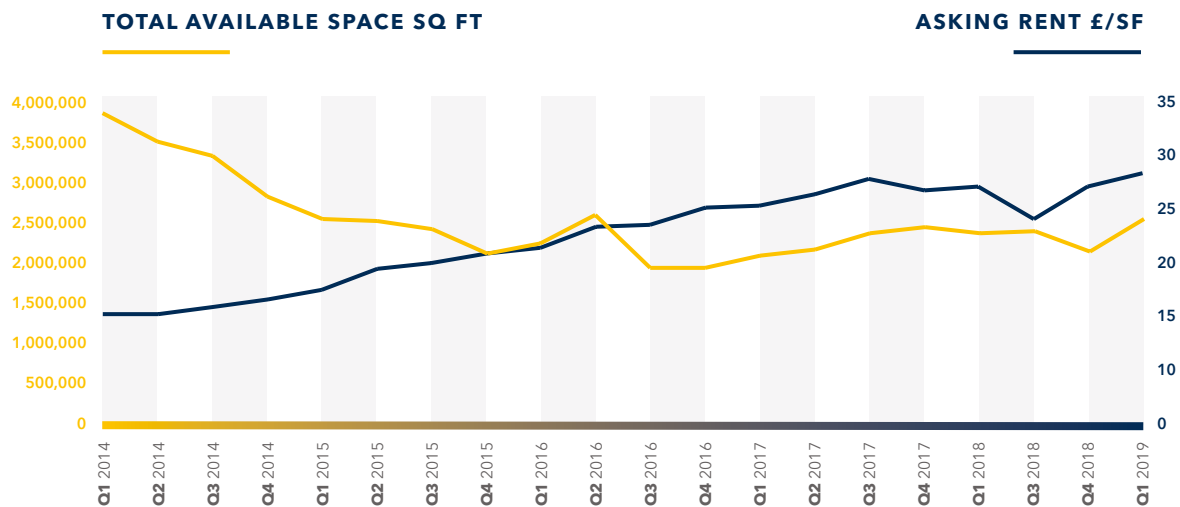
SOUTH LONDON INDUSTRIAL MARKET

South London's industrial market continued to experience an imbalance between supply and demand during the first quarter of 2019 and the levels of industrial and logistics space available reached a new low in Q1 with a total of only 1,455,322 sq ft on the market.

The loss of traditional industrial properties to residential development is being

compounded by the low number of new industrial and warehouse schemes being built.

The low supply, combined with high demand, saw upward pressure on rents and they reached their highest levels ever. Freehold opportunities in the industrial market also remain very limited.



WINDSOR CENTRE, ADVANCE ROAD, SE27
£1.5m



ROPERY BUSINESS PARK, ANCHOR
AND HOPE LANE, SE7
£1.5m



VERNEY ROAD, SE16
£90,000 pa

Initial signs of market growth in London

Buyers returning to the market

London postcodes registering price falling in number

SOUTH LONDON RESIDENTIAL SALES

Despite general caution there has been positive news in South London as residential in the first quarter, saw an increase in sales for the first time since 2015, and the drop in values has now outpaced the rise in stamp duty. Although Brexit uncertainty continues, there is now a mood of "getting on with it", with buyers seeing better value and being tempted back into the market,

This was reflected across London and much of the country, with Zoopla's Cities House Price index in February recording growth of 2.8% in the 20 UK cities it tracks. Property values in the capital were up by 0.4%, following three years of price falls.

CURRENT ASKING PRICES

AVERAGE SE1: **£1,392,896** AVERAGE SE16: **£602,367** AVERAGE SE17: **£649,305** AVERAGE SE8: **£483,757**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£598,125	£1,120,742	£1,736,559	£1,299,988	£2,947,500
SE16	£282,000	£351,143	£772,062	£883,989	£706,667
SE17	-	£850,000	£998,985	£1,165,000	£690,000
SE8	-	£500,000	£644,150	£749,090	£875,000
APARTMENTS					
SE1	£711,867	£1,362,142	£2,892,088	£3,751,535	£749,000
SE16	£446,266	£616,603	£737,572	£972,800	£585,000
SE17	£496,782	£713,143	£741,625	£400,000	£449,967
SE8	£375,501	£480,440	£569,144	£799,975	£480,000

*Information from Zoopla, correct from 28th March 2019



COPPERFIELD STREET, LONDON, SE1
£2,000,000 | 2,100sq ft | 4 Bed



61A SOUTHWARK PARK ROAD, BERMONDSEY, SE16
POA | 1,083sq ft | 4 Bed



THE MONTPELLIER, QUEENS ROAD, SE15
£325,000 | 490sq ft | 1 Bed

Residential letting
market remains strong

Surge in volume of
new applicants

Rental levels
remain steady

SOUTH LONDON RESIDENTIAL LETTINGS

There was a noticeable surge of applicants for rental properties, across South London, during the first quarter of the year. However, there are also high levels of supply and, despite the increased number of applicants active in the market, properties need to be priced correctly if tenants are to be secured quickly and void periods avoided.

No significant changes to the average rental levels were reported during the last quarter.

With new legislation regarding tenant fees and the length of security deposits coming into force on the 1st June 2019, the second quarter is an important one for the residential lettings market.

CURRENT ASKING PRICES

AVERAGE SE1: **£3,094**

AVERAGE SE16: **£1,947**

AVERAGE SE17: **£2,160**

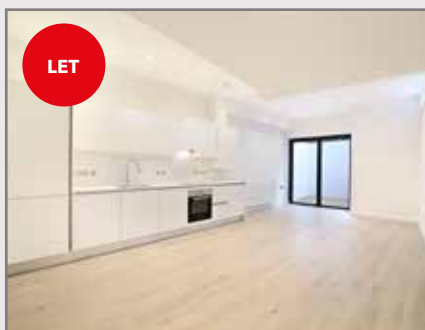
AVERAGE SE8: **£1,642**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£1,167	£3,072	£3,990	£3,910	£3,900
SE16	£1,006	£1,827	£2,154	£3,094	-
SE17	£1,302	£2,518	£2,750	£3,373	£3,402
SE8	£713	£1,476	£1,971	£2,402	£3,347
APARTMENTS					
SE1	£2,107	£3,373	£5,208	£3,524	£2,831
SE16	£1,430	£2,191	£2,340	£3,318	-
SE17	£1,516	£2,196	£2,145	£3,095	-
SE8	£1,297	£1,682	£2,253	£2,033	-

*Information from Zoopla, correct from 28th March 2019



LENNIE HOUSE, SE5
1,2 & 3 bedrooms apartments | From £330pw



HEPBURN LOFTS, SE1
2 bedroom apartment | £500pw



SCOTTS SUFFERANCE WHARF
2 bedroom apartment | £490pw

Plenty of choice for
the new homes buyer

Buyers' market causing
downward pressure
on prices

HTB props up the first
time buyers market in
New Homes Sales

NEW HOMES

Location remains an important criteria as ever but the HTB buyer is much likelier to follow the product rather than be tied to a location

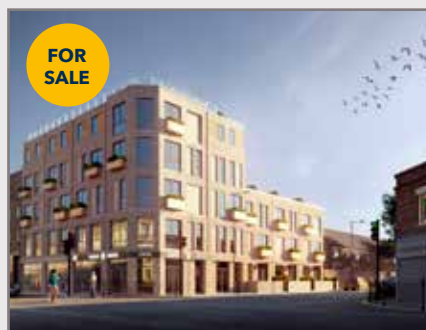
While the Government's 'Help to Buy' scheme continues to support the core market, it is the variety and diversity of property styles on offer, with distinguishable differentiators, that is a key factor in the success of many new-build developments across South London.

The popularity of 'individual' properties meant they continued to sell well, particularly in the key areas of Zones 1 and 2.

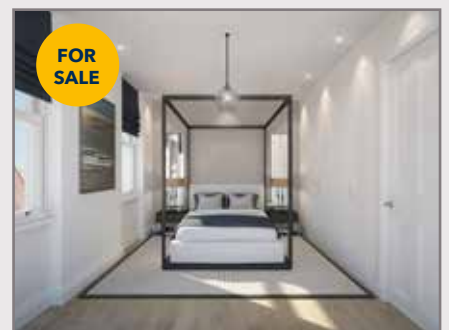
The new homes market remained stable during the first quarter of the year.



NEW PIER WHARF, ODESSA STREET, SE16
2 beds | from £650,000



SOUTHWARK PARK ROAD, SE16
1 bed | from £450,000
3 bedroom houses from £965,000



LORDSHIP LANE, SE22
1 beds | from £435,000

'Build to Rent'
popular

Strong demand
for sites

Buyers diligent
in approach

DEVELOPMENT

With Brexit uncertainty undoubtedly having effects on the market we are finding that there are many more housebuilders teaming up with housing associations, so both parties benefit from de-risking the scheme as much as possible.

There is still a good appetite for development opportunities albeit with potential buyers being more diligent in their approach, making sure their numbers are more robust and overall a less bullish approach to buying sites.

For sites that have not been granted consent and are being offered unconditionally, we are still experiencing a very strong demand. Over the past quarter we have also seen a notable increase in the number of developers looking at Build To Rent.



134-140 IDLERTON ROAD, LONDON, SE15
OIEO £10 M | Planning for 60 flats
plus commercial



349 IDLERTON ROAD, LONDON, SE15
OIEO £15M | Planning for 130 flats
plus commercial



INCREASE

In number of developers
looking to Build To Rent

CO-WORKING COMES TO COOL SOUTH LONDON

Flexibility, style and networking are key to many small businesses and start-ups in the fast-moving world of modern business.

MARKET

As a result, there is currently rapid growth in the provision of small workspace, or co-working. This is now reasonably established in central London and is spreading to South London, in particular to areas such as Brixton and Peckham, which just a few years ago were considered down-market, but are now fashionable with business start-ups.

Various companies that started by providing studio space for artists have morphed into office providers to meet the growing demand in this area. They are keen to buy but also rent large floors with potential to be split into smaller units.

Everyone thinks of We Work and they have been a tour de force South of the river renting 280,000 sq ft at Southbank Central by Waterloo, but with under 15% of the market there are many other players and many of the emerging ones. Switched on companies like British Land have set out their own divisions to meet this demand.

The space needs to feel right, requiring great receptions, generous breakout areas where cross pollination of ideas and networking can take place. Typically, centres have community cafes or even independent restaurants, cinemas, etc, which the tenants can enjoy. There needs to be a real sense of community within these schemes for them to work at their best. This is reflected by WeWork as part of its community ethos, refers to its tenants as "members".

A prime example of this approach, is known as Market, currently being developed by Frame Property, opposite Rye Lane station in Peckham. This will provide 300 desk spaces alongside three restaurants, (we have already let one) another being rooftop with fabulous views, and a music venue underneath. This is due to open in the summer, 40% is already pre-let. Unsurprisingly internet marketing is particularly strong in this arena, targeting technology and telecommunications (TMT) businesses.

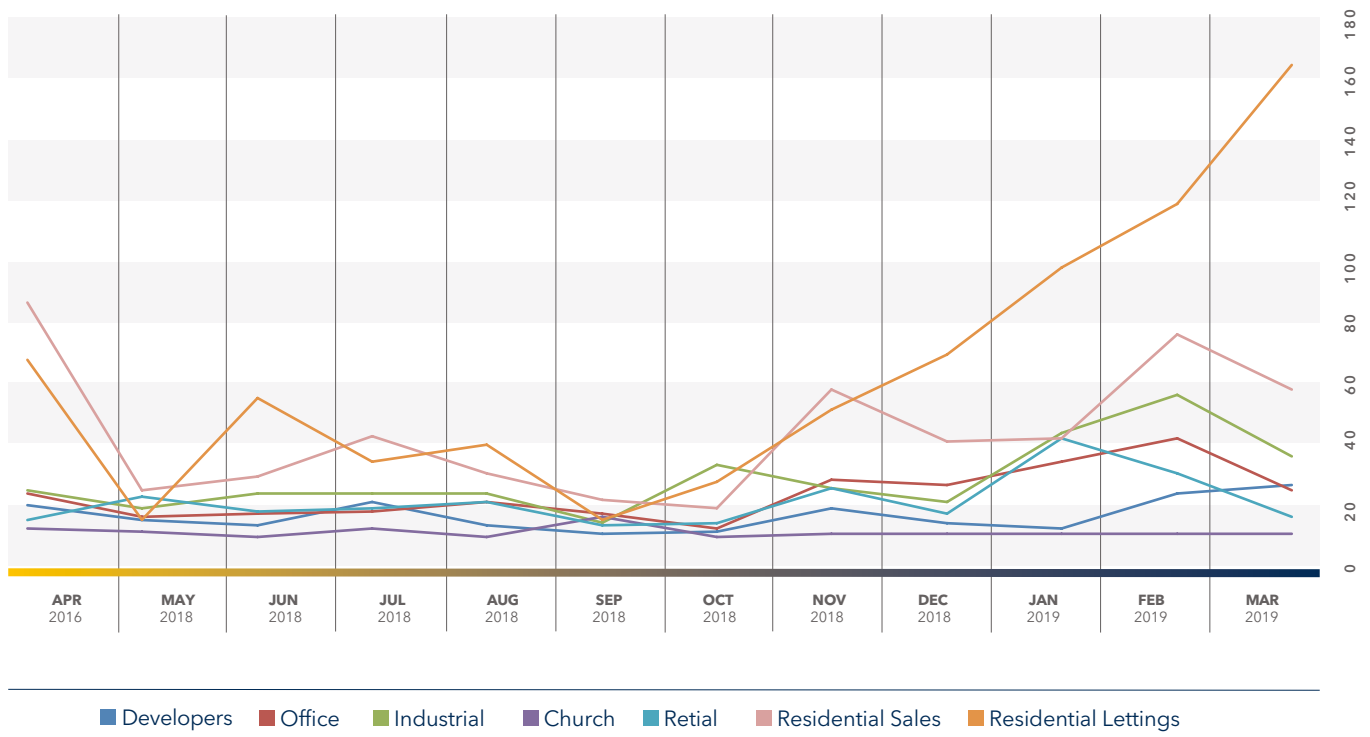
As well as our involvement here, KALMARs have also let or sold two similar size schemes, both about 12,000 sq ft, one of which was fully let within three months.

Co-working is undoubtedly a growth area as TMT businesses continue their expansion projectile. IT and AI is growing exponentially, however, the importance of human interaction, networking, and the buzz of a marketplace with likeminded people in convenient comfortable flexible trendy space should never be underestimated.

We look forward to being involved in many further schemes over the next few years in this growing area of business across South London.



WE ARE KALMARs



OUR APPLICANT NUMBERS

KALMARs' principal objective is to provide a professional service with quick results whilst maintaining complete integrity. Our expertise includes development, office, industrial, retail and residential sales and letting agency.



Richard Kalmar
Managing Director
richardk@kalmars.com



Mickola Wilson
Non Executive Director
mickolaw@kalmars.com



Donald Walsh
Director Development Department
donaldw@kalmars.com



Adrian Gurney
Director Central Office Department
adriang@kalmars.com



Sebastian Kalmar
Director Residential Department
sebastiank@kalmars.com



Piers Hanifan
Head of Industrial
piersh@kalmars.com



Gregory Giessen
Head of Retail and Decentralised Offices
gregg@kalmars.com



Joel Dela Cruz
Associate Director Central Office Department
joeldc@kalmars.com



James Yiannakou
Head of Private Residential Sales
jamesy@kalmars.com



Marc Faure
Head of Residential Development
marcf@kalmars.com



Francesca Harris
Residential Lettings Consultant
francescah@kalmars.com



Laura Reid
Office Consultant
larur@kalmars.com



Elaine Barker
Financial Controller / Office Manager
elaineb@kalmars.com



Ewa Broda
PA / Secretary
ewab@kalmars.com



KALMARs

Jamaica Wharf
2 Shad Thames
Tower Bridge
London
SE1 2YU
T 020 7403 0600

KALMARS.COM



KALMARs