

KALMARs

AUTUMN QUARTERLY MARKET REVIEW 2019

SOUTH LONDON'S LEADING AGENTS



Q3 2019 AT A GLANCE



OFFICES WITH
High Spec popular



concern over
BREXIT



DECLINE
in office applicants



Political and economic
CONCERNS



SALES DEMAND
from foreign buyers



INDUSTRIAL
high in demand

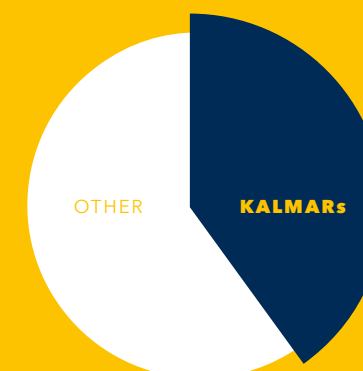
London continues to attract interest for development sites and, although residential sales have slowed, land sales are happening

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KALMARs MONOPOLISE THE SOUTH BANK OFFICE SALES MARKET



In August there were 15 offices available for sale in SE1, 6 of these through KALMARs, 3 times more than any other agent

*Through CoStar

RESIDENTIAL STRENGTH

£55M+

KALMARs have done over £55m worth of residential transactions since the start of the year

2019 THIRD QUARTER



Regrettably Brexit continues to dominate the economic landscape, and it is a strong testament to London that the markets remain relatively stable.

Residential sales have turned a corner with the rate of sales, which have been falling for some months, now falling less quickly. Demand is reasonable, especially for quality products. The letting market is strong with huge demand, particularly for new builds.

Commercial investments saw a slight rise in July, due to the improved alternative sector which showed strong growth, whilst retail fell. Due to the shortage of space industrial in London bucks the national trend, while rents have softened slightly, demand for good investments remains strong. Office demand has remained reasonable. Far Eastern demand, including from China, for sites and investments is active, perhaps taking advantage of a weak pound.

Our view remains that, once the current problems surrounding Brexit are resolved, there will be a boost to the market and considerable growth.

Richard Kalmar
Managing Director KALMARs



Decrease in total
sq ft available

Area popular with
Creative Companies

Softening
of enquiries

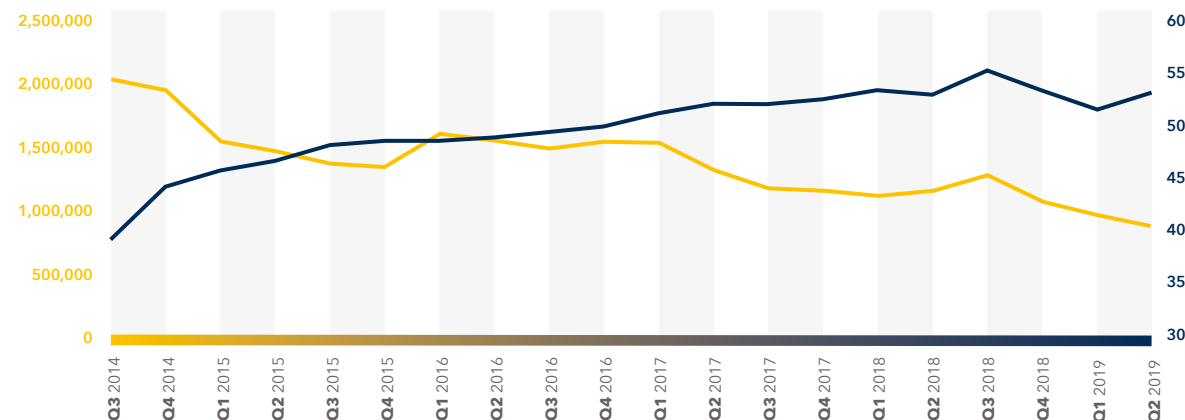
SE1 CENTRAL OFFICE MARKET

The central office market in SE1 saw average annual asking rents increasing to £52.05 per sq ft during Q2 2019, caused primarily by a decrease in total supply which currently stands at 671,320 sq ft down from 891,313 sq ft in the first quarter.

Companies within the creative and technology sectors continued to dominate both enquiries and lettings. Despite global headwinds the office market continues to remain steady however there has been a notable softening of purchaser enquiries and prices have also been softening. Lack of certainty is driving businesses to favour leasing for relatively short terms rather than making long-term commitments.

TOTAL AVAILABLE SPACE SQ FT

ASKING RENT £/SF



Serviced Office
providers popular

Units near transport
links popular

Economic concern
effecting expansion plans

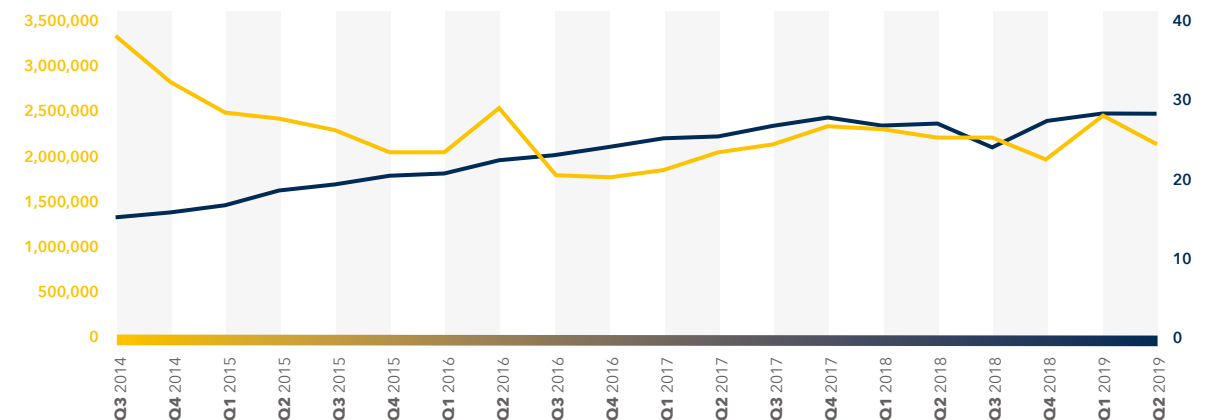
DECENTRALISED OFFICE MARKET

Occupier demand remains subdued in south London due to Brexit uncertainty encouraging businesses to seek co-working schemes that enable them to de-risk and reduce their overheads. There has been a growth in co-working schemes being developed in locations including Peckham Rye and Woolwich.

There is a significant demand for serviced offices offering a 'cool fit out' and lifestyle amenities in locations including Vauxhall, Oval, Camberwell and Peckham. Occupiers are seeking offices close to main roads that provide 800 sq ft to 2,000 sq ft of space, complete with parking, bike storage and outside space

TOTAL AVAILABLE SPACE SQ FT

ASKING RENT £/SF



43 Tanner Street, SE1
£45 per sqft | 5,200 sq ft



2 Sycamore Court, SE1
£1,033,000 | 1,215 sq ft



Unit 3 Brewery Square, SE1
£73,935 per annum | 1,643 sq ft



Loampit Vale, SE13
£350,000 for the Long Leasehold | 1,443 sq ft



Block B, Pickle Mews, SW9
£37.50 per sqft | 1,700 sq ft



196 Southwark Park Road, SE16

Ambitious asking prices not met

Investors looking for opportunities

Occupier demand is subdued

RETAIL MARKET

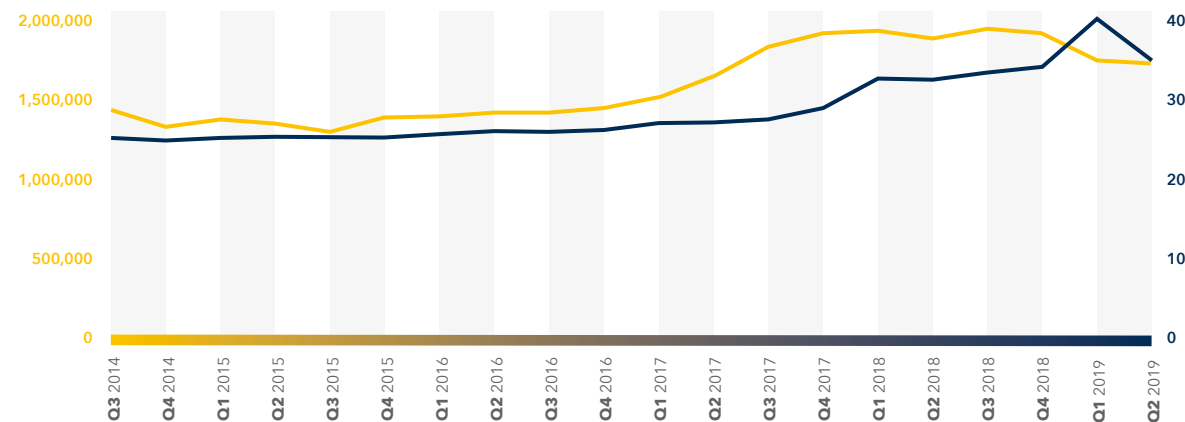
KALMARs note that in recent months retail premises are being rented by experiential business and anything that cannot be purchased online.

For example, cafés and well-being services such as yoga studios, nail and hair salons.

In the south east London area, asking prices can range between £20 per sq ft, in Deptford, to up to £200 per sq ft in Borough, creating a two-tier market. Any area which is considered up and coming commands a retail premium. Shops located near micro-breweries, restaurant pop-ups and converted warehouses have become attractive due the increase in footfall.

TOTAL AVAILABLE SPACE SQ FT

ASKING RENT £/SF



Increase in available space per sqft

Asking rents lower than last quarter

High demand for long lease units

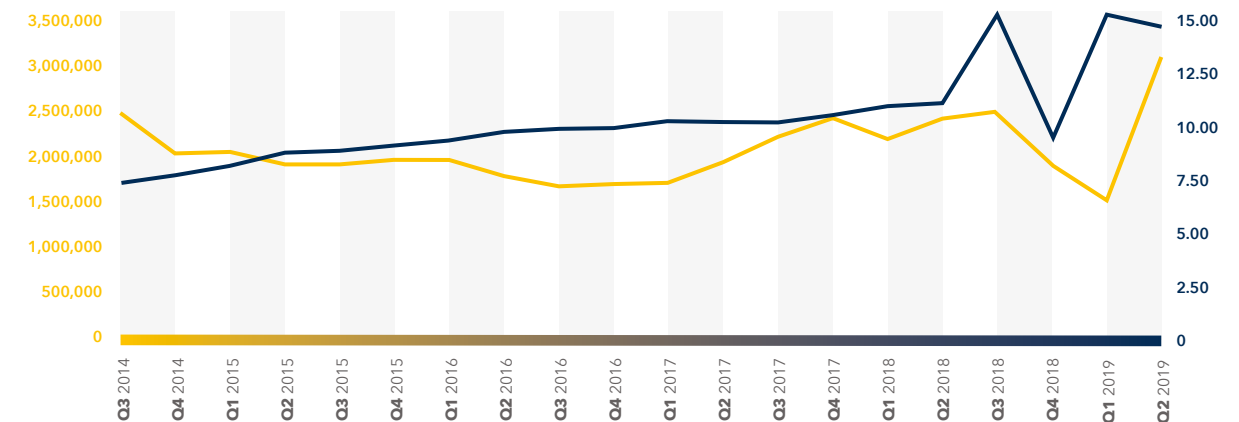
INDUSTRIAL MARKET

Over the last few years a significant amount of industrial stock in south London has been lost as sites have been acquired for residential and mixed use redevelopment. However, currently the supply of available space is the highest it has been since Q3 2018. Many of the industrial units available are on short term leases, mostly from owners with long term development plans.

This has caused asking rents to lower since the previous quarter. Demand remains high, especially for long term leases and new build industrial units. An industrial occupier can acquire space on short leases in New Cross for £20 per sq ft and £10 per sq ft around Old Kent Road. Occupiers seeking 5-year tenancies can still acquire premises in locations such as Charlton and Greenwich.

TOTAL AVAILABLE SPACE SQ FT

ASKING RENT £/SF



Gym, 151 Tower Bridge Road, SE1



Medical Unit, Goodwood Road, SE14
£97,000 per annum | 4,814 sq ft



The Hydro, Yeoman Street, SE8
£1M for sale | 4,338 sq ft



Galleywall Trading Estate, SE16
£260,000 per annum | 16,183 sq ft



Kent Park Industrial Estate, SE15
£160,000 per annum | 9,091 sq ft



Windsor Centre, SE27
£1,500,000 | 6,480 sq ft



According to the RICS Building Cost Index (BCIS), building costs are expected to increase by 21% over the next 5 years

KALMARs



According to Nationwide house prices rose 0.3% in July

Prices not likely to change

Rise in enquiries and instructions

SOUTH LONDON RESIDENTIAL SALES

For Residential Sales, KALMARs note that the following areas are performing strongly; Canada Water, Rotherhithe and North Greenwich, with Greenwich providing particularly strong investment potential.

Character properties remain popular, with the average rental yield in prime areas such as Greenwich expected to be 5%.

Overall, KALMARs have seen increased activity levels with a rising number of enquiries and instructions, suggesting some buyers no longer want to wait on Brexit clarity.

South east London areas command strong domestic buyer interest, as well as continued Help to Buy interest. Excellent transport links remain a priority for buyers

CURRENT ASKING PRICES

AVERAGE SE1: **£1,282,696** AVERAGE SE16: **£585,229** AVERAGE SE17: **£642,362** AVERAGE SE8: **£467,584**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£595,714	£1,416,255	£1,588,571	£1,435,000	£2,293,333
SE16	£393,000	£346,273	£690,833	£925,000	-
SE17	-	£772,500	£1,119,142	£1,099,983	-
SE8	-	£501,333	£694,990	£842,658	£875,000
APARTMENTS					
SE1	£689,260	£1,344,925	£2,556,519	£3,100,000	£5,495,000
SE16	£430,387	£618,150	£835,321	£1,033,467	£585,000
SE17	£490,260	£678,245	£771,053	-	£427,475
SE8	£372,505	£485,728	£542,998	£555,000	-

*Information from Zoopla, correct from 14th August 2019



Mill Lofts, County Street, SE1
£1,650,000 | 2,613 sq ft



Copperfield Street, SE1
2,100 sq ft



Burnaby Court, Scott Lidgett Crescent, SE1
£375,000 | 453 sq ft

High demand of applicants

Particular interest for new builds

One bed properties let fast

SOUTH LONDON RESIDENTIAL LETTINGS

Following the overall market trend of buyers choosing to rent during Brexit uncertainty, KALMARs note that the average rental prices have risen in SE1, SE16 and SE17.

Specific hotspots include Bermondsey, which offers good value for money with a stable market, and Rotherhithe Village, providing river views with strong potential for Buy to Let investors.

Across south London, character properties remain a popular choice, whilst one-bedroom flats are letting very quickly.

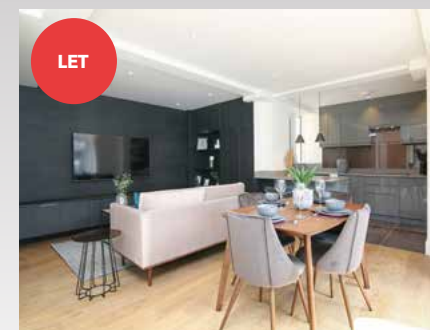
In prime Bermondsey, renters can typically expect to pay £450 per week for a one-bedroom apartment, £550 per week for a two-bedroom apartment and £700 per week for a three-bedroom apartment.

CURRENT RENTS

AVERAGE SE1: **£3,075** AVERAGE SE16: **£2,038** AVERAGE SE17: **£2,230** AVERAGE SE8: **£1,675**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£1,820	£3,311	£4,718	£4,790	£1,923
SE16	£1,033	£8,354	£2,496	£1,911	£4,684
SE17	£1,333	£2,029	£2,812	£3,283	£3,748
SE8	£928	£1,300	£2,133	£2,586	£3,358
APARTMENTS					
SE1	£2,205	£3,261	£4,301	£3,172	£10,655
SE16	£1,494	£2,071	£2,538	£2,813	£3,101
SE17	£1,706	£2,118	£2,306	£2,953	-
SE8	£1,291	£1,842	£2,470	£2,304	-

*Information from Zoopla, correct from 14th August 2019



Magdalen St, Kamen House, SE1
2 bed



112A Bermondsey St, SE1
2 bed



Old Kent Road, SE1
£330 pw | 1 bed

Mundane cookie cutter flats not popular

Help to Buy (HTP) popular

Healthy interest from applicants

NEW HOMES

The new homes market in south and south east London has remained active. Areas such as Canada Water, London Bridge, East Dulwich and North Greenwich have proven particularly popular for new home purchases.

In these areas, a typical one bedroom flat is still achieving around £400,000, a two-bedroom £500,000 and a three-bedroom £600,000. The market is mainly fuelled by domestic buyers with Help to Buy driving a large percentage of sales.

For investors, Old Kent Road is achieving £700 per sq ft compared to Greenwich and Canada Water at £800 per sq ft. Niche developers offering something different or quirky continue to thrive.

The market is mainly fuelled by domestic buyers with Help to Buy driving a large percentage of sales



Webber Street, SE1
4 of 4 components



Lordship House, SE22
7 of 8 components



St James' Rd, London, SE1
3 of 10 components

Market selective but steady

Funding readily available

Overseas interest

SOUTH LONDON DEVELOPMENT MARKET

In spite of continuing Brexit uncertainties, the market remains reasonable as demand continues from:

- **Housing Associations partnering with builder developers;** like deals we are doing in Deptford between a major house builder and one of the largest housing associations, or, on a smaller scale, we have just sold an 86-apartment site to a partnership
- **Foreign buyers taking advantage of a week pound;** including from China and, including for a large site we are selling
- **Hotels;** we are currently doing a deal with Travelodge renting from a builder developer
- **Student accommodation;** keen demand continues and we are selling 3 sites for a total approaching £50m

Examples of these strategies are 'Build to Rent', office or hotel schemes. Sites where end sales values are below the level of 'Help to Buy', i.e. £600,000, are particularly popular.

Planning continues to be problematic, costing a fortune, taking forever and being fraught with complications. One site we have been assisting with for 1,300 apartments took 4 years to get a resolution to grant consent, now the onerous 106 conditions are taking months to resolve. The clients want to start work in January; it is therefore ironically galling that some complain about developer's land banking.

In summary, London continues to attract interest for development sites, with consistent residential sales happening, as are land sales, despite the ongoing political uncertainties. Due to market conditions KALMARs currently have some interesting sites for sale.



Grove Park, Camberwell, SE5
£6m



Union Street, SE1
£1.3m



9 Sydenham Hill, SE 26
£2.1m

KALMARs - A COMPLETE MARKETING SERVICE

To obtain the best price in the shortest time, now requires a wide range of skills and techniques, much more than just matching a buyer/tenant to a property. As both commercial and residential agents, KALMARs have, over 52 years, built up strong connections with appropriate leading specialists to provide our clients with an unrivalled comprehensive service. This is without the conflict and high fees that some bigger agents have when offering in-house services.

Listed here are some of the most significant services required, with a few of the many companies that we work with. We like to think of them as part of a team and work very closely to ensure everyone fully understands the market requirements.

Building Surveying

Based in the City, William Martin are expert building surveyors. This quarterly report will henceforth have a regular feature of building costs as a guide for clients provided by William Martin. For more detailed information and building surveys they would be happy to hear from you.

Social Media & Search Engine Optimisation

The importance of this area is growing at an exponential rate, as is its complexity. We therefore employ specialists to keep us up to date. This can involve advice on individual campaigns.

Design

A range of top quality designers, appropriate to the scale of property, are used according to specific requirements. Three companies that we work regularly with are: Hudson Fuggle, Open Agency and Positive Images UK.

PR

We have arranged some great coverage for clients on their properties, at our expense. Don't take our word for it. Rupert Stanley of Portobello trust says "In marketing our property, KALMARs arranged extensive, high quality and in-depth press coverage which was of great assistance in promoting the property".

Valuation

Working with competitive independent specialists, we can arrange valuations for small to very large properties, including one recently for over £30m. This, for some decades, has included working with Frederick Holt & Co, and Promission.

Planning

We work with a host of specialist planners and planning PR agents and can select the right ones for the job.

Architects

We also work with a wide range of specialist architects and understand which ones are suitable for your work.

Builders

We can suggest contractors and design and build companies for larger projects.

Solicitors

Again, KALMARs work with a large number of solicitors and recognise getting the right one for the job can be essential to make the deal happen.

Finance

From small to very large we have contacts you can be put in touch with.

Portals

KALMARs invest very heavily in the leading property platforms to ensure maximum coverage, presented in the best possible way. This includes our staff having extensive training and research to ensure optimum exposure for your property.

For more information of how we can help, please contact a member of our team.

CONSTRUCTION WHAT ARE THE COSTS?

Paul Magrill BSc (Hons) FRICS of William Martin Property Consultants Ltd.

According to the RICS Building Cost Index (BCIS), building costs are expected to increase by 21% over the next 5 years. This equates to 3% over the next 12 months, a further 4% over the following 24 months and then increasing to 5% per annum over the last two years, up to 2024. Depending upon the various Brexit outcomes, these figures could, of course, vary considerably.

The following rates include for London uplift and fees. All figures exclude VAT (if applicable).



Residential Projects

Flats

£2,250 / m2

One off detached housing

£3,500/m2

Student Accommodation

£1,850/m2



Commercial Projects

Air conditioned offices

£2,550/m2

Mixed use retail/office/residential above

£2,450/m2

Retail Warehouse/trade counter

£1,300/m2

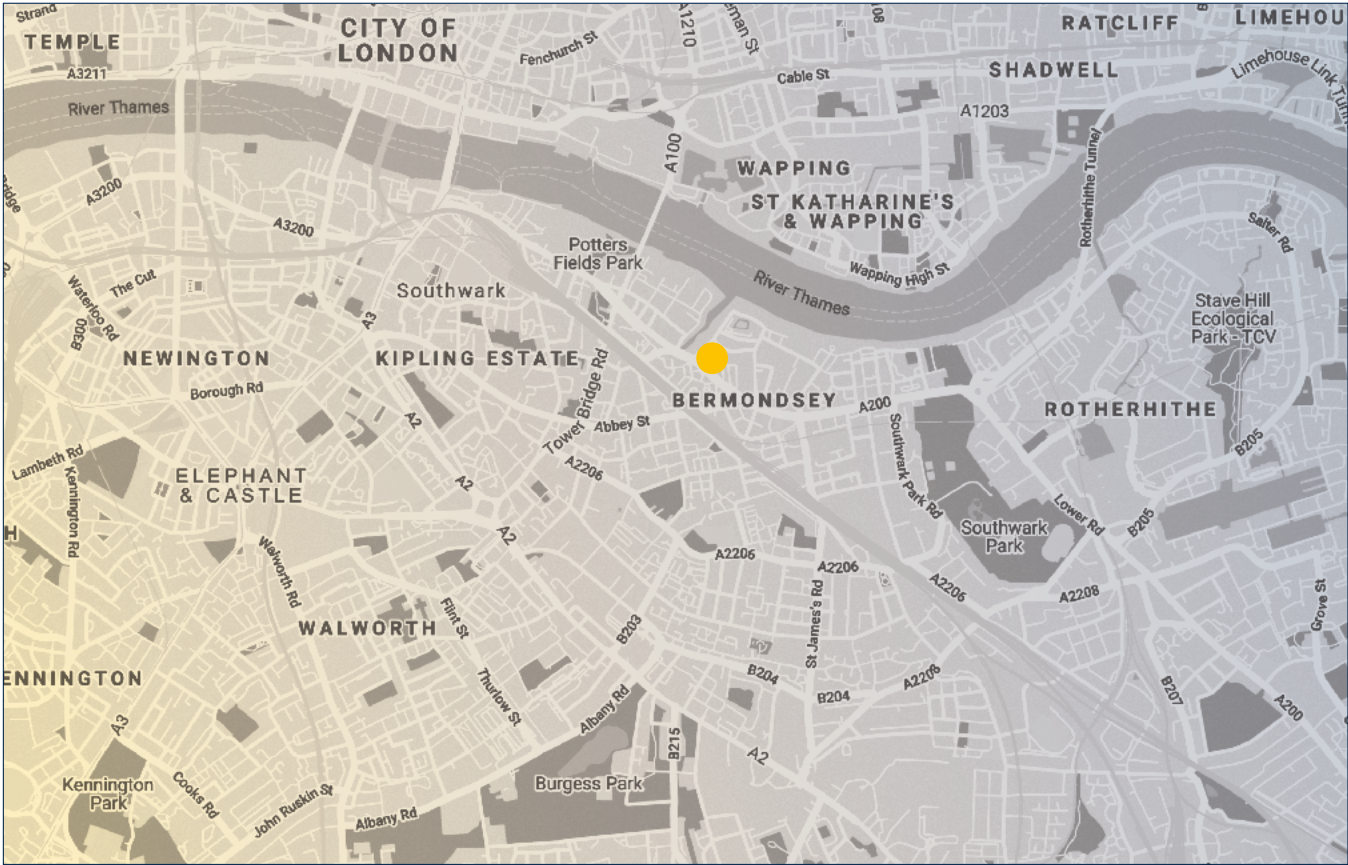


In assessing current building costs, it should be borne in mind that rates will vary considerably depending upon levels of specification, location, ground conditions, contamination and planning etc. However, the above figures identified are derived from a sample of real projects across the UK in each sector. The rates therefore are subject to regional variations and accurate estimating must factor this in. For example, London postcodes, including SE1, attract a 23% uplift. We also recommend allowing 15% for professional fees and 1% for statutory fees. Other special fees, such as party wall or archaeology, may also be relevant, depending upon the project.

The above figures are a guide only, professional advice should be sought.

William Martin Property Consultants Ltd are a firm of Chartered Building Surveyors who have been working in South London and elsewhere since 1979.

WE ARE KALMARs



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