KALMARs

WINTER QUARTERLY
MARKET REVIEW 2019

SOUTH LONDON'S LEADING AGENTS

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

CONTENTS

★ ★ ★ ★ ★
FIVE TIMES WINNER

WINNER LONDON SOUTHBANK OFFICE AGENCY AWARDS 2016 CoStar

MOST ACTIVE AGENT BY NUMBER OF DISPOSALS

MOST ACTIVE AGENT BY NUMBER OF INSTRUCTIONS

Q4 2019 AT A GLANCE

CONFIDENCE
in market

progressive with
BREXIT

INCREASE
in industrial applicants

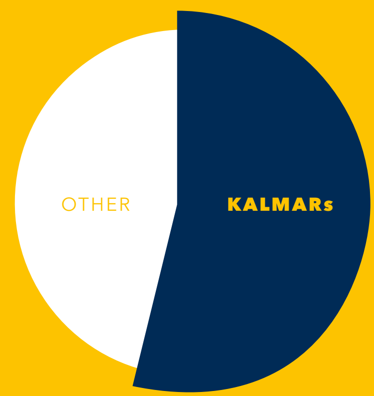
HOUSING ASSOCIATIONS
strong bidders

STRONG OFFERS
from office applicants

Increase in supply of
INDUSTRIAL PROPERTY

> We are experiencing a huge demand for gyms, nurseries, in fact any services that cannot be provided via the internet are popular

KALMARs MONOPOLISE THE SOUTH BANK OFFICE SALES MARKET



In January there were 19 offices available for sale in SE1, 10 of these through KALMARs, 4 times more than any other agent.

*Through CoStar

RESIDENTIAL STRENGTH

£70M+

KALMARs has done over £70m+ worth of residential transactions over 2019

2019 FOURTH QUARTER

Whatever one's political persuasion or views on Brexit, few would argue that the last three years have been strong and stable, in reality they have been marked by uncertainty.

Consequently, following the recent election there is a strong feeling of greater clarity and it's back to business. The start of the year is showing clear signs of decisions being made and investments secured. As always, London tends to be the first in and first out of any economic trend and the ONS figures for the last year, showing a 1.3% increase in London's Domestic Product, is ahead of the rest of the country and 2020 is looking good for London.

Growth is seldom universal, and there are particularly strong areas of the local economy. We are experiencing a huge demand for gyms, nurseries, in fact any services that cannot be provided via the internet are popular. Box parks, artisan breweries and street food offerings are proving very attractive to young people. For those who have not been along the Bermondsey Beer Mile, you are missing out. Conversely, many conventional shops and old-fashioned pubs continue to be in decline as they do not appeal to the contemporary market.

Although there has been a substantial loss of industrial space available, there has been a proportionate reduction in demand as requirements for traditional businesses, such as printing, have experienced a sharp decline. Even demand for warehousing, with the exception of the final mile, is not particularly active in central London, as transport continues to be difficult. Residential demand has definitely turned the corner and, whilst prices are not rising, they have stabilised, and demand/supply reached parity. Areas of growth include private rented, student and a strong demand for hotels.

Imaginative and comprehensive marketing techniques remain imperative. Alongside more modern techniques of social media and SEO, conventional tools, such as boards, remain important. PR also remains a great way to get the message out, consequently we have engaged top consultants and have had over 100 articles published in 2019 - and as a result, last year we enjoyed record residential sales.

After a relatively quiet year for office demand, our office department, is now experiencing greatly increased activity. Nobody knows what will happen when the real details of Brexit are rolled out, but for the time being we are anticipating that 2020 will be a significantly better year than the last few years of political turmoil. By mid-January we had already sent out heads of terms for nearly £50m worth of deals.

Richard Kalmar
Managing Director KALMARs

More active enquiries

Creative Companies dominate Sales & Lettings

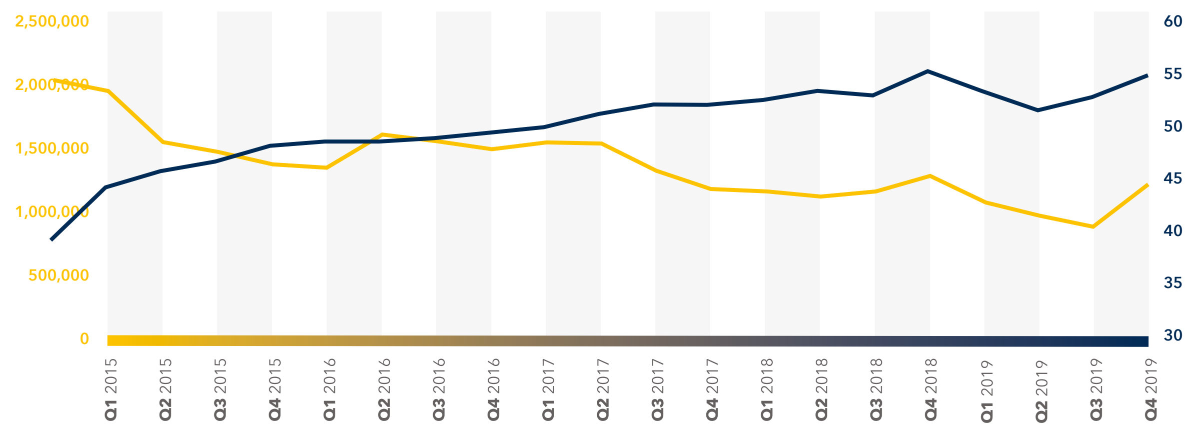
Short leases popular

SE1 CENTRAL OFFICE MARKET

The SE1 central market saw average asking rents increase marginally to £54.25 psf during Q4 2019 caused primarily by a lack of supply in this part of central London and a resilient occupier buyer market, with the creative and technology sectors continuing to dominate both sales and lettings enquiries. With the increased political stability perceived by the market, we anticipate this will continue to grow and, in particular, the lack of supply of large units will push rents up. The softening in purchaser requirements during 2019 particularly in the final quarter meant that prices are currently relatively low, and we anticipate that, with the renewed confidence, this will soon change, and prices will rise significantly.

Every week a new hostelry opens, and new theatres or museums abound, continuing to transform the area into an attractive place for office occupiers to relocate or grow. This month alone two new interesting restaurants, Ecuadorian and Lebanese, have opened at the Elephant and Castle.

TOTAL AVAILABLE SPACE SQ FT **ASKING RENT £/SF**



43 Tanner Street, SE1
£45 per sq ft | only 3,300 sq ft remaining

2 Salamanca Place, SE1
£687,000 | 763 sq ft

3-5 Hardwidge Street, SE1
£99,000 per annum | 1,800 sq ft

Competition from serviced office

Small offices popular

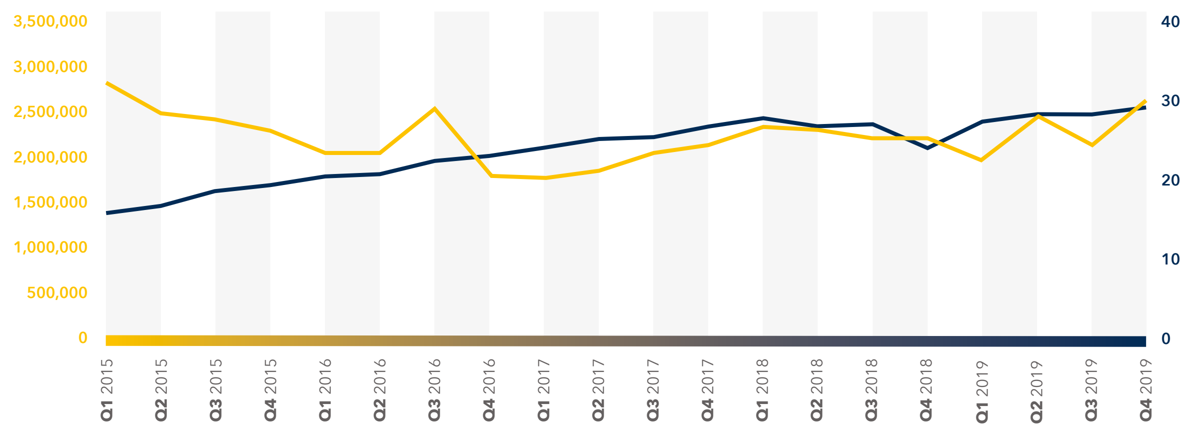
Transport links still important

DECENTRALISED OFFICE MARKET

In common with other property sectors, the decentralised office market has seen greatly increased activity since the start of the year, and we see rents that had essentially plateaued since Q2 2017 now likely to significantly rise. We also anticipate total available space, which has not altered significantly since 2014 at around 2,250,000 sq ft, reducing this year. Examples being an office of 2,500 sq ft in Southwark Park Road pre-selling to a local building company, and this year a property in Jamaica Road Rotherhithe of 1,300 sq ft that had been on the market for nearly two years receiving two good offers within one week.

Serviced office providers are continuing to grow and are pushing the occupiers' expectations towards fitted out units. It is important that residential developers with commercial space in their developments finish their space to a good standard.

TOTAL AVAILABLE SPACE SQ FT **ASKING RENT £/SF**



21 Claylands Place, SW8
£60,000 per annum

Block A, Victoria Way, SE7
£45,000 per annum

87 Lambeth Walk, SE11
£300,000 for long lease

High levels of stock

Strong offers still coming through

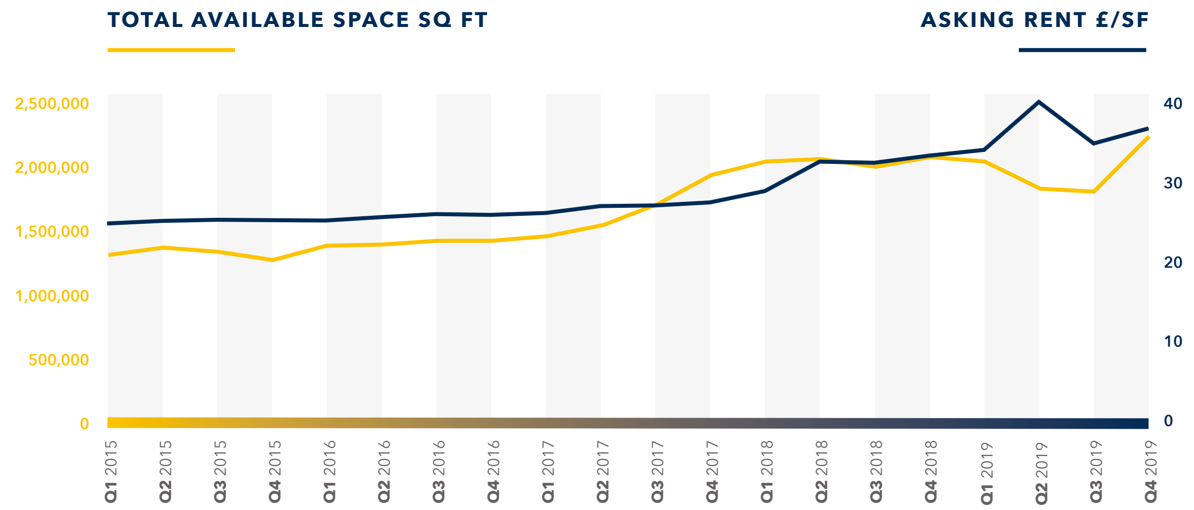
Market values strengthening

RETAIL MARKET

Barring the odd quarter skewed by one or two exceptionally high deals, asking rents have edged up slightly since 2017 in spite of a slow market. But, since the election, demand has picked up especially from uses that do not compete with the internet such as cafés, medical, hairdressers, phone shops, nail bars and A2 counter serviced offices.

There had been a marginal increase in stock in the last half year, as various developments have come on stream with commercial space within them.

With the renewed confidence of the market, we anticipate that the stock will reduce, especially as older style properties are redeveloped for more valuable contemporary uses. Outmoded uses, such as off pitch clothes shops, butchers, and wet pubs that have not moved with the times, are closing and being replaced by fashionable pop-ups and street market style spaces that people actually want to go to. Trendy beer outlets are booming, a visit to Four Pure at the back of a 1970s industrial estate is recommended, or to the Peckham Beer festival at Peckham Levels, now a popular annual event.



371-373 Brockley Road, SE4
£1.5M | 4,814 sq ft

82 Old Kent Road, SE1
£375,000 per annum

160 Rye Lane, SE15
£75,000 per annum

Falling stock levels

Applicant numbers have grown

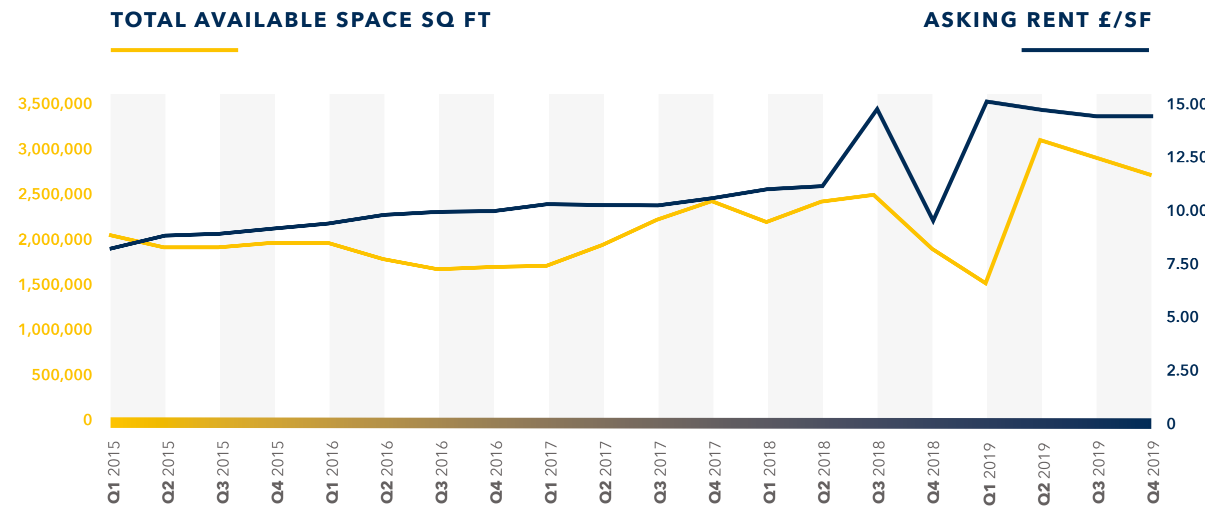
Increase in freehold values

INDUSTRIAL MARKET

Supply has reduced, but fluctuates as various big lettings, often temporary space, have occurred (e.g. 200,000 sq ft we let ft for Grosvenor at the Biscuit Factory) and overall supply is limited.

One big growth area is railway arches, with strong demand from diverse uses including bars, health clubs, photographers, and leisure with rents increasing up to 4 times e.g. a railway arch in Vauxhall at £32 psf, only a few years ago it would have been £8 psf. The Low Line following the High Line in New York, running from Waterloo to Deptford, is a prime example, transforming once grubby car repair or basic storage into interesting vibrant contemporary uses including Maltby Street Market.

There was a big increase in rents in 2014/5 prior to the Brexit vote and uncertainty; they then plateaued for 3 years now that there is more certainty, we anticipate further growth this year.



7 Kingside Business Park, SE18
£130,000 per annum

4a and 5a Juno Way, SE14
£POA

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

> Residential demand has definitely turned the corner and, whilst prices are not rising, they have stabilised, and demand/supply reached parity

House price rise predicted

Steady progress since 2016

Mortgage Criteria are now stricter

SOUTH LONDON RESIDENTIAL SALES

After three years of political uncertainty and a relatively depressed market, South London buyers are back and homeowners, recognising the market has returned, are starting to put properties up for sale that they may have chosen to let over the last year or two.

In Southwark there are exceptional developments taking place transforming areas and resulting in record enquiries. One of our greatest recommendations for investment is near the award winning Area Action Plan location of Old Kent Road where the Bakerloo Line Extension is proposed. We also feel Canada Water (which is inner London's largest regeneration project) presents exceptional value and has great potential for growth.

We feel these areas will continue to be some of the best performing in London (as recently reported re Old Kent Road) and see exceptional growth.

CURRENT ASKING PRICES

AVERAGE SE1: **£1,282,469** AVERAGE SE16: **£581,334** AVERAGE SE17: **£631,627** AVERAGE SE8: **£467,584**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£706,364	£1,449,995	£1,445,000	£1,334,000	£2,216,667
SE16	£273,625	£425,643	£581,667	£870,833	–
SE17	-	£580,000	£750,000	£1,050,000	–
SE8	£300,000	£492,250	£820,833	£950,000	–
APARTMENTS					
SE1	£729,270	£1,336,588	£2,508,457	£4,716,250.00	£4,950,000.00
SE16	£436,584	£596,567	£763,142	£971,403.00	–
SE17	£482,786	£672,086	£808,077	–	£474,950.00
SE8	£370,233	£471,705	£583,456	£603,125.00	£465,000.00

* Information from Zoopla, correct from 7th January 2020

Tower View Apartments, E1W
£1,675,000

Copperfield Street, SE1
£2M | 2,100 sq f t

Corio House, SE1

KALMARs WINTER QUARTERLY MARKET REVIEW 2019

Three beds in demand

Furnished property popular

More stock available in January

SOUTH LONDON RESIDENTIAL LETTINGS

The market has been consistent as occupiers and landlords alike opted for interim tenure rather than buying or selling. However, demand remains strong and activity has picked up a lot in January with landlords releasing stock, and tenants readily taking space. What is noticeable is the speed with which flats let, a properly priced property is seldom on the market for more than a week and usually they are achieving full asking rents or more. The figures shown on the table should be viewed with some caution as average rents are often skewed by a few exceptionally high values in what is sometimes a small sample. The SE1 market tends to be dominated by young professionals seeking fully furnished apartments (this accounts for over 90% of lettings), whilst in other areas in the south east tenants requirements are much more evenly split between furnished & unfurnished.

With renewed confidence we await to see whether more properties are switched for sales reducing supply and thus putting pressure on values.

CURRENT RENTS

AVERAGE SE1: **£3,565** AVERAGE SE16: **£2,059** AVERAGE SE17: **£2,261** AVERAGE SE8: **£1,675**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£1,582	£4,246	£5,775	£8,201	£3,846
SE16	£996	£4,965	£2,678	£2,386	£4,684
SE17	£451	£2,123	£2,550	£3,793	–
SE8	£660	£1,499	£2,160	£2,201	–
APARTMENTS					
SE1	£2,156	£3,438	£6,386	£4,437.00	£16,683
SE16	£1,515	£2,188	£2,971	£2,942.00	–
SE17	£1,827	£2,276	£2,572	£2,431.00	–
SE8	£1,263	£1,892	£2,507	£2,845.00	–

* Information from Zoopla, correct from 7th January 2020

Magdalen St, Kamen House, SE1
2 bed

Grices Wharf, Rotherhithe Street, SE16
£1,300 pw | 3 bed

Rye lane, SE15
£330 pw | Studio

Q4 took a pause to catch its breath

Tory leadership deemed a safer option

Significant incentives still available

NEW HOMES

The clear election result has given confidence that the uncertainty over the last three years, has turned around and we have had an immediate influx of interest from buyers who have, for the last three years, been sitting on their hands waiting to see what would happen.

Although the fundamental shortage of supply of residential property in London has never gone away, it was the lack of confidence that acted as a dead weight and even depressed values slightly, but it did not stop development, and schemes like New Pier Wharf in the Rotherhithe area comprising of 53 private units sold very well. Developments that are underway are likely to benefit from the market picking up and one example that is selling very well is the 400 apartment development by London Square in the former Branston Pickle Factory on Crimscott Street where over 50 fifty have already sold from plan.

These developments will have a knock-on effect in emerging areas such as the Old Kent Road, where an award winning masterplan has been implemented, numerous major developments are planned and the area has already been reported to have the fastest prices growth in London.

> Schemes like New Pier Wharf in the Rotherhithe area comprising of 53 private units sold very well

Queens Road Apartments, SE15

Webber Street, SE1

Rushworth Street, SE1

Enthusiasm post Elections

Housing Associations strong bidders

Southwark and Lewisham popular

SOUTH LONDON DEVELOPMENT MARKET

Following general election results there has been an increase in enquiries from developers. Some had been holding off for the results and many have started the year with enthusiasm.

In 2019 site disposals we found housing associations were consistently the strongest bidders and also house builders working in partnership with RP's. We predict in 2020 registered providers are going to face tougher competition in particular from vendors that are seeking a purchaser that is able to move at a faster pace than RP's.

The local authorities we are working with have brought forward exciting opportunity areas that we can help our clients within, in particular Southwark and Lewisham.

> We predict in 2020 housing associations are going to face tougher competition in particular from vendors that are seeking a purchaser that is able to move faster

St James Road, SE1

402 - 410 Evelyn Street, SE8
£2.5m

123 Grove Park, SE5
£6m

INNER LONDON IS COOL

There has been a social transformation in the inner London areas over the last 20 years and the perception of areas such as Brixton and New Cross has changed dramatically. For example, Peckham's downbeat image caricatured in TV's Only Fools and Horses, has changed and it is now better known as home to uber cool clubs like those based in and around the Bussey Building.

> Major change creates winners and losers and requires progressive thinking

This trend started back in 1970s or 80s in more central areas like Bermondsey, Shoreditch and Clapham, which were suffering from declining businesses, such as wharfs, large food factories and clothing workshops closing or moving away. These business changes, combined with the continuing transformation and growth of London as a financial and professional office centre, thus creating pressure on transport, resulted in increased demand for private residential properties.

> London is again reinventing itself as the centre for Technology Media and Telecommunications

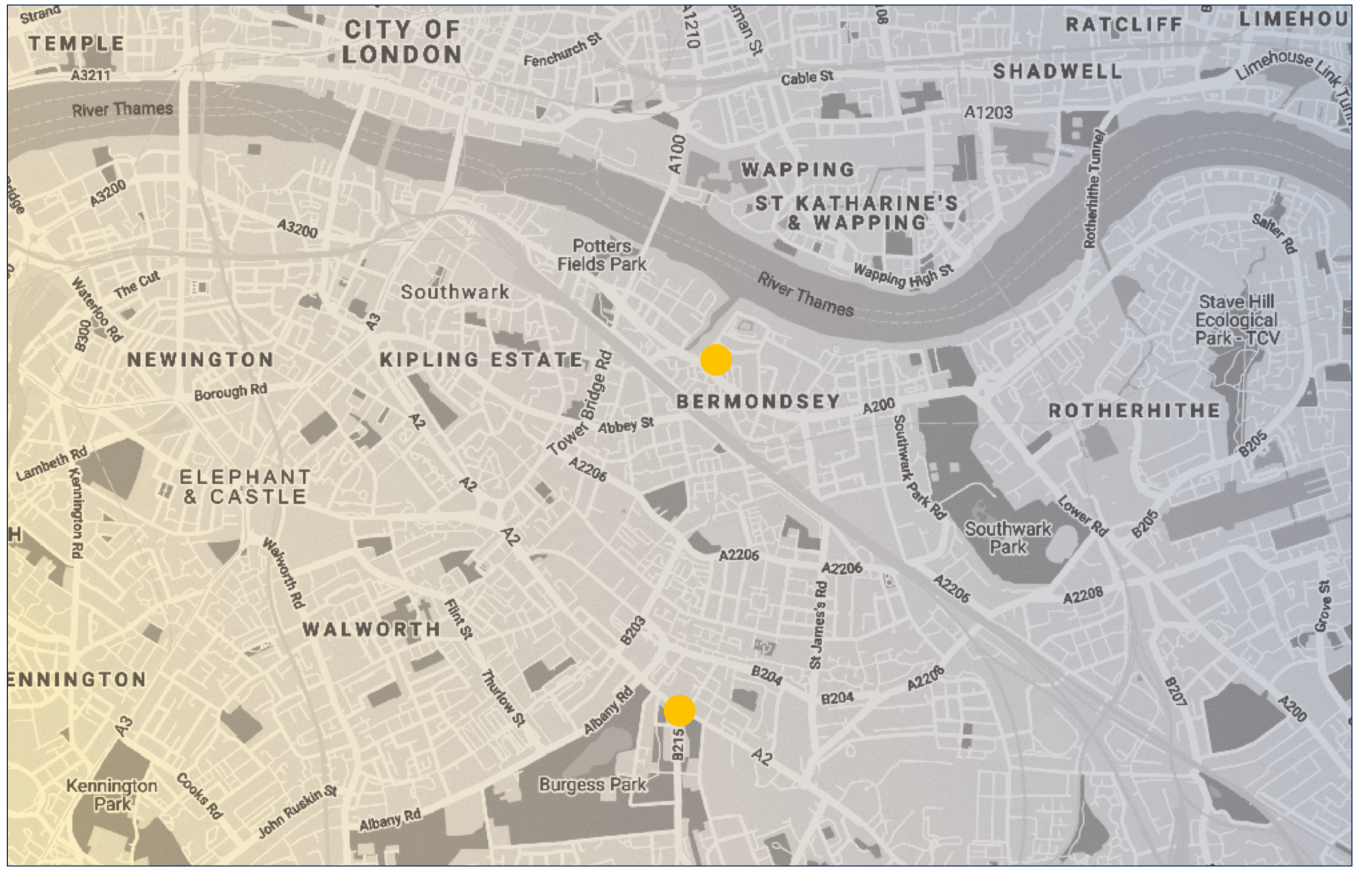
The convenient location and a large number of attractive old buildings facilitated large scale social regeneration. This resulted in substantial increases in prices, pushing levels up to compete with areas such as Islington and Pimlico.

Due to relatively competitive prices, close proximity to central London and the continuing growth of the City, this change has now rippled out to adjoining areas inner areas such as Wandsworth, Brixton, Deptford. These areas have seen an explosion in bars, coffee shops and artisan breweries. Examples of these include box parks in Brixton and Croydon, Hawker House street food in Rotherhithe and the farmers market in Brockley. As a result, these are now considered cool hipster areas.

Like it or not, heavy industry, most warehousing and old-fashioned pubs in these increasingly dense and traffic congested areas have died or moved away. London is again reinventing itself as the centre for Technology Media and Telecommunications, (TMT), an example being Vodaphone moving from the Thames Valley to Southwark creating 2,000 high tech jobs. This is alongside the established financial centre in the City and Canary Wharf. These changes create greater spending power and TMT employees tend to like more trendy facilities. Progressive businesses such as arts, artisan foods and any leisure/retail that cannot be done online are flourishing.

The likelihood is that this trend will continue as companies and younger professionals move into the areas enjoying easy accessibility to central London, and the change in perception will snowball. Major change creates winners and losers and requires progressive thinking, rather than trying to preserve outmoded business that have not moved with the times. If employment is to be safeguarded, it has to look forward to the bright future that London continuing to reinvent itself can offer.

WE ARE **KALMARs**



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