

KALMARs

COMMERCIAL & RESIDENTIAL



SPRING/SUMMER QUARTER MARKET REVIEW 2018

SOUTH LONDON'S LEADING AGENTS

FEATURES

03

MARKET OVERVIEW

04

SE1 CENTRAL OFFICE MARKET

06

SOUTH LONDON OFFICE MARKET

07

SOUTH LONDON RETAIL MARKET

08

SOUTH LONDON INDUSTRIAL

09

RESIDENTIAL SALES

10

RESIDENTIAL LETTINGS

11

NEW HOMES

12

OLD KENT ROAD

14

APPLICANTS

15

MEET THE TEAM

Five times winner



Most active agent by number of disposals
Most active agent by number of instructions

After experiencing a very strong and bullish market in recent years, the South London property market had a generally steady and stable first quarter of the year. This seems to be continuing in Q2 and at KALMARs we do not expect any spectacular changes to the market, either up or down, for the rest of 2018. Contrary to public opinion, stable and steady market conditions are what most agents, and other active property professionals, want to see.

Site sales in both the residential and commercial sectors have proved to be a particularly active sector of the market in South London so far this year. As one of the most important growth areas in South East London, the Old Kent Road area continues to be a particular hotspot for developers and investors. The proposed extension of the Bakerloo line, the wider regeneration planned for the area and other infrastructure projects have firmly turned the spotlight onto this part of the capital. Further market activity in terms of acquisitions and disposals within the area continued during Q2.

There has also been good demand during the first few months of the year for freehold office properties located in accessible locations. A number of important transactions were recorded in the first quarter, with KALMARs having been involved in many of them, including a 69,000 sq ft office site sold with planning permission for £20 million. Our involvement in this active sector of the market was underlined at the beginning of May when a search on CoStar for offices for sale in SE1 revealed that KALMARs were instructed on eight out of the total of 14 offices available; four times more than any other agent.

Elsewhere in the market there is a continuing underlying shortage of supply of residential properties and, with the likelihood that interest rates will not increase dramatically, KALMARs is expecting this to be a trend that will continue for the foreseeable future with long term demand outstripping supply. The underlying strength of the market has been confirmed in the first quarter with the success of a number of schemes including New Pier Wharf in SE16 where 16 apartments out of 54 have agreed off plan sales to local buyers - over a year before completion of the scheme.

With over 50 years' experience, KALMARs has a unique insight and knowledge of the local markets, we are in a particularly strong position to assist property owners, developers and occupiers in both the residential and commercial sectors.



Richard Kalmar
Managing Director KALMARs

SOUTHBANK OFFICE
RENTS Q1 2018 -
£50.42 PER SQ FT

TOTAL VOLUME
OF LETTINGS **FELL**
IN Q1

IN Q2 - **KALMARs**
SOLD A SITE IN SE1
WITH PLANNING FOR
69,000 SQ FT OF OFFICES



FIRM GRADE A SPACE
PRICING HAS KEPT
**RENTAL LEVELS
HIGH**

Average rents for office accommodation in the Southbank market were subdued during the first quarter of 2018, with a slight decrease in tenant demand for non-Grade A stock, which had a marginal downward pressure on rental levels across SE1. The average achieved rent in the market fell to £51.85 per sq ft in Q1 representing a drop of approximately 1%.

Vacancy rates have remained low in Southwark at 3%, which suggests rents and prices are now likely to stabilise.

Pricing for newly developed Grade A stock has remained firm with continued high demand. The Southbank market remains a favourite with creative and technology businesses, who continued to dominate activity, with the majority of tenants taking space from the TMT sector (Technology, Media and Telecommunications).

Major deals in the area include the sale of 240 Blackfriars Road, a 223,000 sq ft building that was sold for £266,500,000

in January. Nearby, KALMARs, concluded the sale of 17-24 Rushworth Street, a site that will provide another 69,000 sq ft of offices, to an international developer for £20,000,000.

The completion of the development of London Bridge station will bring a surge of occupiers looking to benefit from improved transport connections and from the 70,000 sq ft of new retail space that forms part of this major improvement to SE1's infrastructure.

CURRENT VENTURES

17-24 RUSHWORTH STREET, SE1



SITE SOLD FOR DEVELOPMENT TO PROVIDE
69,000 SQ FT OF OFFICES

PLANTAIN PLACE, CROSBY ROW, SE1



FREEHOLD
6,360 SQ FT

67-71 TANNER STREET, SE1



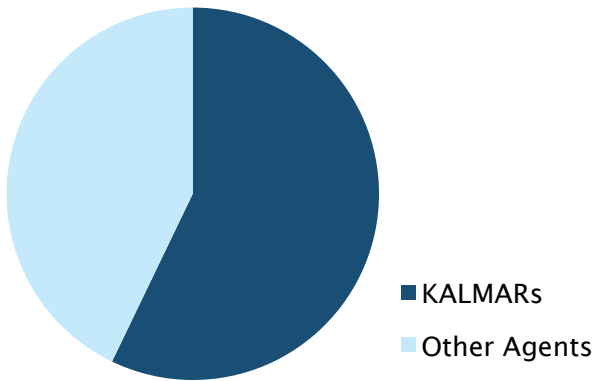
£20,000,000 FOR THE FREEHOLD
22,238 SQ FT

31 QUEEN ELIZABETH STREET, SE1



£90,000 PER ANNUM
2,082 SQ FT

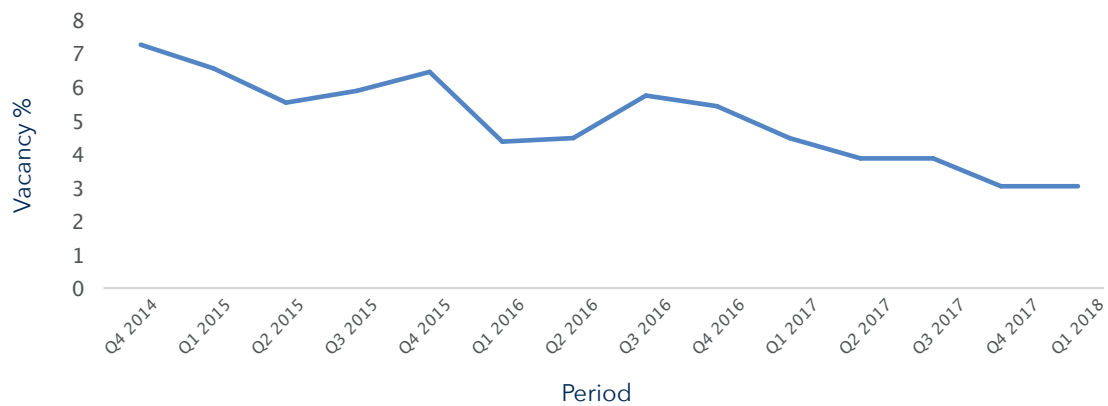
OFFICES FOR SALE IN SE1



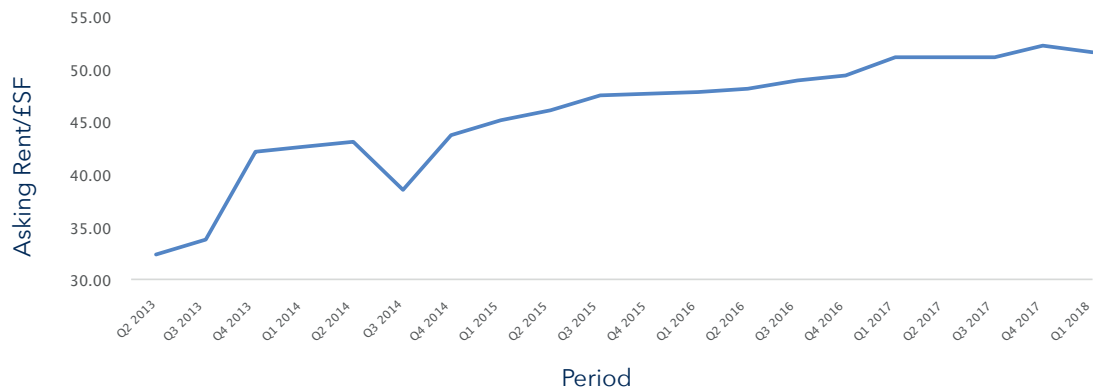
KALMARs MONOPOLISE THE SOUTHBANK OFFICE SALES MARKET

In May KALMARs had 4 times more sales instructions than any other agent, being 8 out of the 14 properties available.

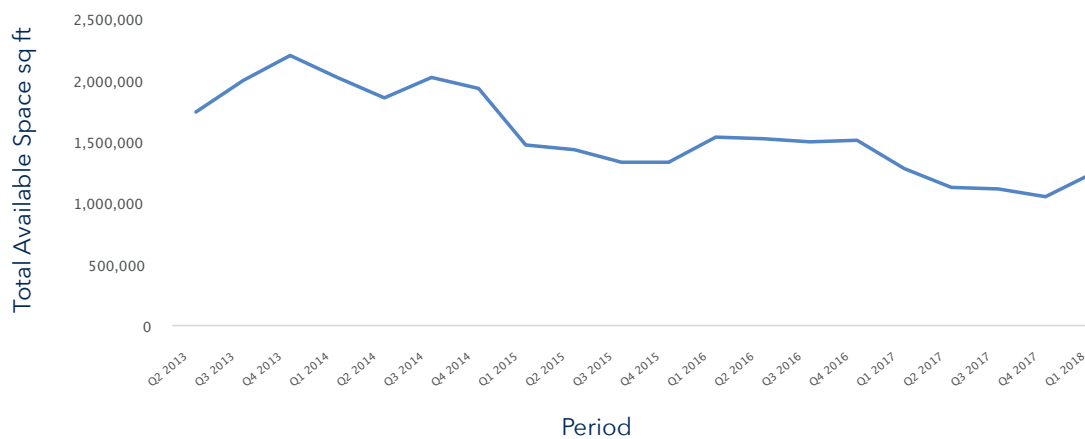
VACANCY %



ASKING RENT/£SF



TOTAL AVAILABLE SPACE SQ FT



SOUTH LONDON OFFICE MARKET

STRONG
INVESTOR INTEREST

OCCUPIERS
"SEEKING VALUE"

DECENTRALISED OFFICES

The market for office property in affordable, 'non-prime' locations in South London remained strong for both investors and occupiers perspective during the early part of 2018. Investors in particular are still attracted as it remains one of the few areas within the capital that still offers value.

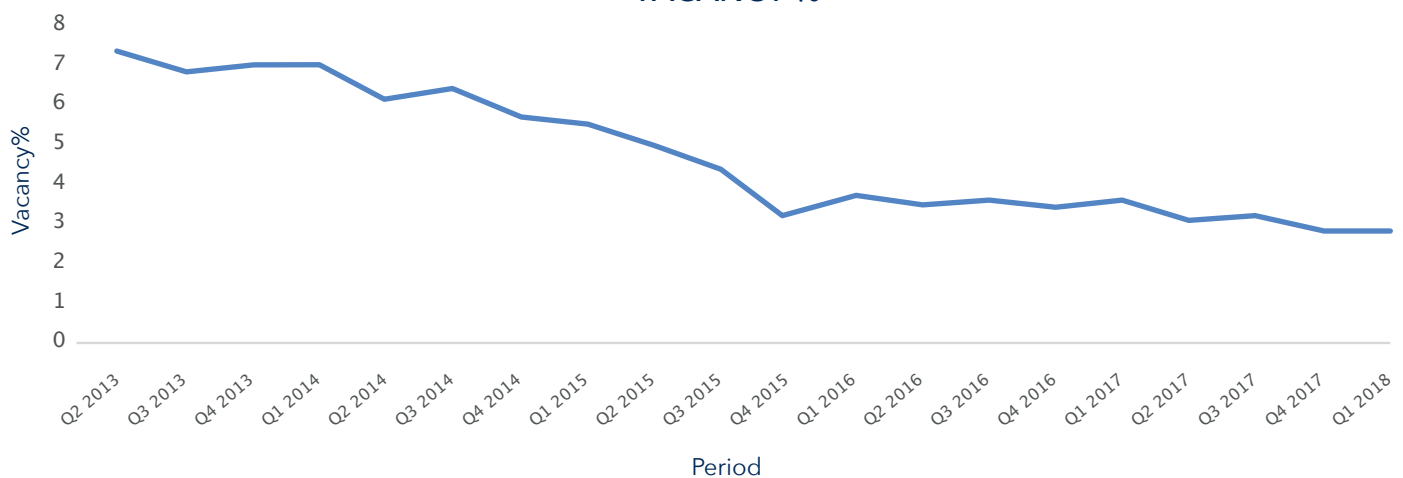
The area continues to attract good levels of occupier demand for the same reason - affordability and value. While the area's culture and authenticity has been attracting SMEs and start-ups for some considerable time, South London is also attracting larger, more established businesses in greater numbers. This is particularly true in the well-connected decentralised locations

With a lack of supply in some areas, rental levels were up slightly in Q1 due to the level of demand.



DECENTRALISED
OFFICE RENTS
INCREASED
SLIGHTLY

VACANCY %



TYERS STREET, LONDON, SE11 5AE



£45,000 PER ANNUM
2283 SQ. FT D1 NURSERY

WALWORTH ROAD ELEPHANT & CASTLE, SE17



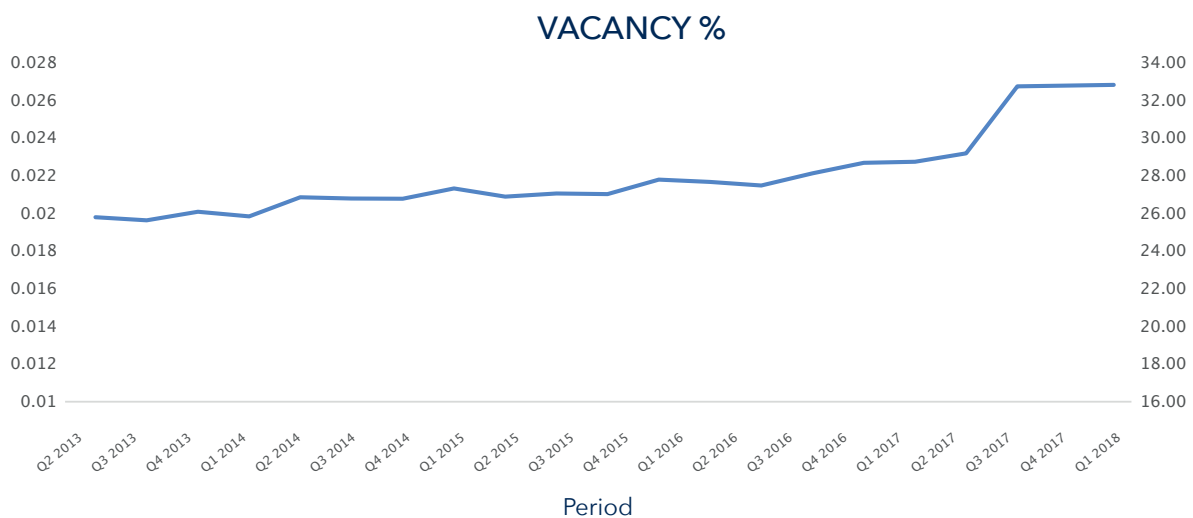
£80,000 PER ANNUM
2,770 SQ. FT B1 OFFICE

SOUTH LONDON RETAIL MARKET

SE1 RETAIL RENTS
REMAIN AT
RECORD HIGH

↓
FALL IN
AVAILABILITY

DEMAND FROM
RESTAURANT OPERATORS
REMAINS HIGH



Rental levels for retail property across south London during the early part of the year maintained the record high average levels seen at the end of 2017. This is a reflection of the high demand for well-positioned properties particularly in the Southbank area, where footfall remains high. In less well-located secondary and tertiary areas the outlook remains mixed.

Levels of availability grew during the start of the year which we expect will have a mixed effect on rents due to the continuing demand for space from occupiers in emerging locations such as Deptford and Peckham.

There appears to be less uncertainty towards the outcome of the Brexit negotiations in the retail market compared to previous quarters.

The market for restaurant units was noticeably higher particularly in emerging London retail markets such as the Peckham and Brixton areas.

TOOTING HIGH STREET, LONDON, SW17



£98,000 PER ANNUM
4500 SQ. FT. / A1 RETAIL

RYE LANE, PECKHAM, LONDON, SE15



£70,000 PER ANNUM
2,476 SQ. FT. A1 RETAIL

SOUTH LONDON INDUSTRIAL

**LARGEST
INDUSTRIAL LETTING
INSIDE SOUTH
CIRCULAR SIN
2002**

**STRONG INVESTOR
DEMAND PUSHES
YIELDS DOWN TO 3%**



**VACANCY RATES
AND AVAILABILITY
RATES **DOWN****

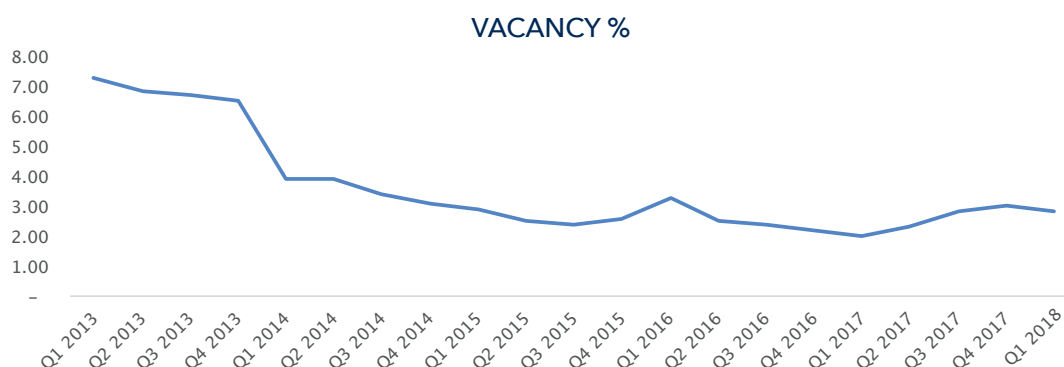
KALMARs was involved in letting 175,832 sq ft of industrial space in Clements Road, Bermondsey on a short term basis, which includes a 92, 498 sq ft letting to Urban Space Solutions, the biggest industrial letting inside the South Circular since 2002.

Vacancy rates and the total industrial space available in South London were both down at the start of the year. At the same time, the demand for industrial space remains high with established businesses looking for properties close to their existing locations.

Strong demand and very little supply of industrial investments have pushed yields down to just 3%.

Freehold opportunities witnessed a slight increase over Q1 with occupiers increasingly prepared to move away from the core locations and recognising the savings that can be made on downsizing and moving further out to cheaper parts of South London. An example of this is in Herne Hill, where KALMARs recently agreed the sale of an industrial unit for £285 per sq ft, allowing the occupying business to rent a smaller warehouse towards Dartford.

As more freehold opportunities come to market KALMARs is expecting demand to level out slightly but the relatively small increase in supply is unlikely to impact prices or rents that are expected to remain high.



UNIT 2 & 3, 57 KELLNER ROAD, THAMESMEAD, SE28



PROPERTY TYPE:
LIGHT INDUSTRIAL, WAREHOUSE

£72,500 PER ANNUM
12733 SQ FT / 1182.93 SQ M

57 KANGLEY BRIDGE ROAD, LOWER SYDENHAM, SE26



PROPERTY TYPE:
LIGHT INDUSTRIAL, WAREHOUSE, WORKSHOP

£100,000 PER ANNUM
11517 SQ FT / 1069.96 SQ M

UNIT 16 BESSEMER PARK, 250 MILKWOOD ROAD, LONDON, SE24



PROPERTY TYPE:
LIGHT INDUSTRIAL, WAREHOUSE, WORKSHOP

£33,588 PER ANNUM
3205 SQ FT / 297.75 SQ M

UNIT 20 NEWINGTON INDUSTRIAL ESTATE, CRAMPTON STREET, LONDON, SE17



PROPERTY TYPE:
LIGHT INDUSTRIAL, WAREHOUSE, WORKSHOP

£30,500 PER ANNUM
1220 SQ FT / 113.34 SQ M

OPPORTUNITIES
AS BREXIT CAUSES
UNCERTAINTY

**SECOND HAND
STOCK LEVELS AT
UNPRECEDENTED
LOW LEVELS**

**UK BASED BUYERS AT
HIGHEST LEVEL**
AS SALES TO
INTERNATIONAL
BUYERS **FALL**

SALES

With international buyers focusing their attention on properties in prime central London, in search of prestige and capital returns, the proportion of homes sold to international buyers in 2017 fell to 17%, it's lowest level since 2013. At the same time, buyers from within the EU have also withdrawn from investing in the capital, accounting for just 4% of total buyers, despite the favourable exchange rate for those in the Eurozone. Uncertainty regarding Brexit is likely to be a major factor and therefore presents an opportunity to UK based buyers still benefitting low interest rates.

KALMARs has been advising clients about the levels of second hand stock in the South London market and these are now at an unprecedented low level. Conversely, sellers with properties on the market are having to be creative in order to attract buyers who may have very specific property types and locations as part of their search criteria. The levels of transactions suggest that prices have remained steady in the first part of the year. However, the Halifax price index indicated that during March and April there has been a 3.1% fall in house prices.

CURRENT ASKING PRICES					
AVERAGE SE1: £S PSF: £1,267,000 AVERAGE SE16: £633,000 AVERAGE SE17: £808,00 AVERAGE SE8: £515,000					
PROPERTY TYPE	1 BED	2 BEDS	3 BEDS	4 BEDS	5 BEDS
HOUSES					
SE1	£611,989	£786,078	£1,574,555	£2,189,416	£1,672,905
SE16	£373,265	£452,777	£940,251	£707,126	£827,914
SE17	£340,000	£624,975	£1,264,411	£1,309,488	£1,659,091
SE8	£354,839	£491,867	£678,290	£670,877	-
APARTMENTS					
SE1	£671,368	£1,302,881	£1,528,342	-	-
SE16	£431,032	£604,319	£785,834	-	-
SE17	£500,579	£598,739	£639,583	-	-
SE8	£365,565	£484,412	£581,565	-	-



▲ **THE WHITE HOUSE, BERMONDSEY STREET, LONDON, SE1**
1 Bedroom
Asking price £975,000



▲ **TERRACOTTA COURT, TOWER BRIDGE ROAD, LONDON, SE1**
2 Bedrooms
Asking price £700,000



▲ **NEW PIER WHARF, ODESSA STREET, LONDON SE16**
2 Bedrooms
Asking price £595,000

**BTR SCHEMES
MORE
PROMINENT**

**RENTAL
BELOW
10 YEAR
AVERAGE**

**RENTAL MARKET
LESS BUOYANT
DUE TO BREXIT
UNCERTAINTY**

LETTINGS

Brexit uncertainty is also having an impact on South London's residential lettings market where rental growth, at below 0.5%, is trailing the 10 year average of 2.8-3%. Consensus in the market is that 2018 will see no more than 1% to 1.5% growth. It is expected that growth will rise in 2019, increasing to 2.5% in 2020 and then reaching somewhere around the 10 year average.

A market trend noted by KALMARs is landlords of larger properties are becoming more flexible with existing tenants

to ensure a longer tenure. We believe that previous changes in HMO licensing have affected the rate of turnover. With the increase of Build to rent schemes in South East London, KALMARs have taken the initiative of advising landlords to ensure that their properties are comparable to that of new homes that will have been designed and built to attract tenants. This will enable them to take advantage of the rent rise wave that will inevitably follow.

CURRENT RENTAL PRICES					
AVERAGE £5 PCM SE1: £2,885 AVERAGE SE16: £2,194 AVERAGE SE17: £2,258 AVERAGE SE8: £2,601					
PROPERTY TYPE	1 BED	2 BEDS	3 BEDS	4 BEDS	5 BEDS
HOUSES					
SE1	£1,795	£2,782	£2,636	£3,105	£3,462
SE16	£1,637	£1,686	£2,466	£3,196	£2,997
SE17	£1,506	£1,932	£2,716	£3,233	£3,777
SE8	-	£1,813	£2,171	£2,704	-
APARTMENTS					
SE1	£2,001	£3,019	£4,025	-	-
SE16	£1,524	£1,894	£2,558	-	-
SE17	£1,594	£1,995	£2,056	-	-
SE8	£1,305	£1,622	£2,754	-	-



▲ TRINITY LOFTS, COUNTY STREET, LONDON, SE1
2 Bedrooms
Price: £535 per week



▲ CAPE APARTMENTS, ROTHERHITHE NEW ROAD, LONDON, SE16
2 Bedrooms
Price: £392 per week



▲ PAGES WALK, LONDON SE1 4HD
2 Bedrooms
Price: £500 per week

With around 5,000 new private residential units currently under construction and, with over 29,000 units either in the planning pipeline or ready to go at existing developments, optimism remains high in South East London's new homes market.

It is a market that is characterised by large-scale regeneration with the likes of British Land's Canada Water Masterplan and Grosvenor's Build to Rent redevelopment of the Biscuit Factory, which will deliver over a thousand units. This is in addition to the significant redevelopment of ex-council estates that are planned and other large-scale and non-council estate redevelopment taking place on the Greenwich Peninsula, at Bermondsey Spa and at Canada Water. The scale of the pipeline is providing a more diverse choice for residents, making it one of London's most active residential development markets.

Average sales prices are edging north of £800 per sq ft and have even reached £850 per sq ft in some parts - reiterating the strong demand across South East London. Prices for development sites have seen upward pressure due to high demand and low supply. Opportunities covered by the Old Kent Road Area Action Plan have attracted much attention and they have been trading in the region of £15-20 million per acre. Having sold in the region of 16 acres along the OKR, KALMARs continue to lead the charge with the regeneration of south east London.

**DEMAND FOR
DEVELOPMENT
OPPORTUNITIES
REMAINS ON
AN UPWARD
TREND**

**LARGE SCALE
REGENERATION
LIFTING MARKET
OPTIMISM**

**MORE
DIVERSITY
AND CHOICE
FOR OCCUPIERS**



▲ **NEW PIER WHARF, 1-3 ODESSA STREET, SE16 7LU**
2 Bedrooms
Asking Price: £660,00



▲ **TRINITY LOFTS, COUNTY STREET, SE1 4AD**
2 Bedrooms
Price: £535 per week

OLD KENT ROAD COMES OF AGE



For many people, the Old Kent Road was synonymous with the cheapest property on the Monopoly board.

It is true that in the past the area was characterised by poor quality residential and older style commercial property, yet it is very centrally placed and currently has the lowest prices in central London and huge potential for regeneration, which is now being recognised by investors and developers who are actively acquiring land.

The importance of the regeneration around the Old Kent Road to London as a whole should not be underestimated. The scale and significance of what is planned for this part of South East

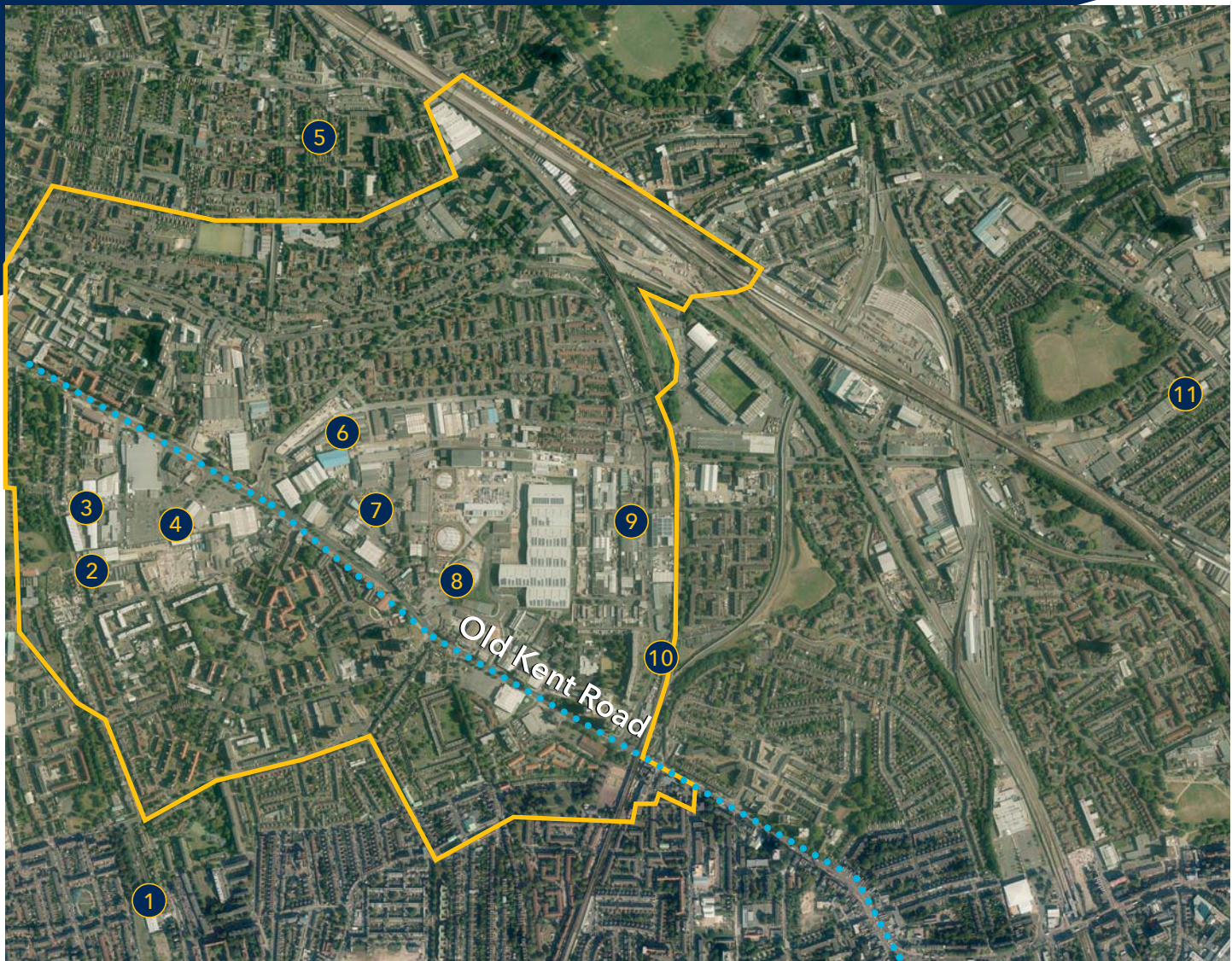
London is visibly demonstrated by the aerial view opposite of the Old Kent Road that shows many of the sites, comprising nearly 16 acres, that KALMARs is, or has been, involved with that will be redeveloped in the future, there are many more in the pipeline.

The readiness of the area for change was recently demonstrated by a site KALMARs sold, where an application for over 1,000 apartments had a just six objections, surely a record for such a large scheme!



It may be a while before the Old Kent Road replaces Mayfair on the Monopoly board but its long term performance has already far outstripped many of the traditionally more fashionable areas of London. This trend is likely to snowball as the area improves.

If you want to learn more about one of London's most exciting emerging markets, we are at the fore and would be pleased to hear from you.



NO.	DESCRIPTION	SIZE ACRES
1.	Potential 400 student rooms	1.0
2.	Residential development potential	1.1
3.	Potential for student housing	1.0
4.	Former shed as part of larger site	0.5
5.	Planning for 9 dwellings & retail	0.15
6.	Potential for 340 residential units	2.0
7.	Potential for 1200 residential units	3.5
8.	Sold to Southwark Council	2.5
9.	Residential development potential	0.5
10.	Residential development potential	0.5
11.	Sold to Shurgard for personal storage	1.0
12.	Confidential sites under offer or sold	2.0

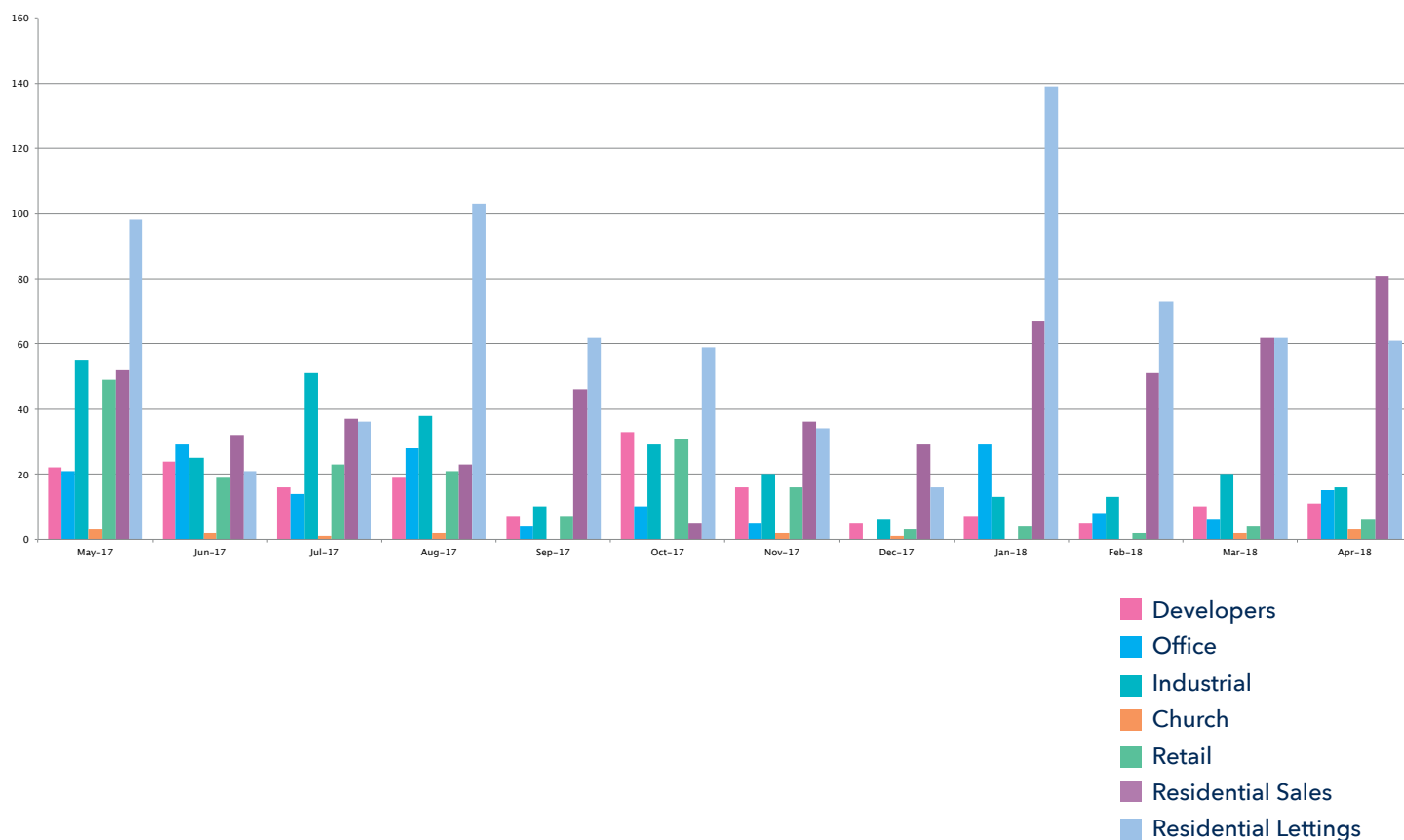
TOTAL: 15.75

— Regeneration Area

APPLICANTS

ALL APPLICANTS															2017	
Applicant	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	Average	Total	AVERAGE	TOTAL
Developers	22	24	16	19	7	33	16	5	7	5	10	11	15	175	22	260
Office	21	29	14	28	4	10	5	0	29	8	6	15	14	169	20	214
Industrial	55	25	51	38	10	29	20	6	13	13	20	16	25	296	36	426
Church	3	2	1	2	0	0	2	1	0	0	2	3	1	16	22	263
Retail	49	19	23	21	7	31	16	3	4	2	4	6	15	185	34	410
Total Commercial	150	99	105	108	28	103	59	15	53	28	42	51	70	841	134	1603
Residential Sales	52	32	37	23	46	5	36	29	67	51	62	81	43	521	43	511
Residential Lettings	98	21	36	103	62	59	34	16	139	73	62	61	64	764	53	637
Total Residential	150	53	73	126	108	64	70	45	206	124	124	142	107	1285	96	1148
Overall Total	300	152	178	234	136	167	129	60	259	152	166	193	177	2126	229	2751

APPLICANT NUMBERS



Source KALMARs database

MEET THE TEAM



RICHARD KALMAR
Managing Director
richardk@kalmars.com



MICKOLA WILSON
Non-Executive Director



DONALD WALSH
Director Development Department
donaldw@kalmars.com



ADRIAN GURNEY
Director of Central Office Department
adriang@kalmars.com



SEBASTIAN KALMAR
Director Residential Department
sebastiank@kalmars.com



PIERS HANIFAN
Head of Industrial
piersh@kalmars.com



ANTHONY TAPPY-DAY
Head of Retail and Decentralised Offices
anthonytd@kalmars.com



GREGORY GIESSEN
Retail and Decentralised Office Consultant
gregg@kalmars.com



JOEL DELA CRUZ
Senior Central Office Consultant
joeldc@kalmars.com



LAURA REID
Office Consultant
laurar@kalmars.com



ADAM ROSAN
Residential Sales Consultant
adamr@kalmars.com



ELAINE BARKER
Financial Controller/Office Manager
elaieb@kalmars.com



EWA BRODA
PA/Secretary
ewab@kalmars.com

KALMARs

COMMERCIAL & RESIDENTIAL

Jamaica Wharf
2 Shad Thames
Tower Bridge
London SE1 2YU

Tel: 020 7403 0600

www.KALMARs.com

