KALMARs

CELEBRATING OUR 50TH YEAR

QUARTERLY MARKETING REPORT 2016/2017

SOUTH LONDON'S LEADING AGENTS

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FEATURES

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

2017

QUARTERLY NEWSLETTER INTRODUCTION

WELCOME TO OUR QUARTERLY REPORT.

With the recent vote in the House of Commons regarding Article 50, which we can now expect to be triggered within weeks, and the inauguration of a property developer as the new President of the United States, 2017 is already shaping up to be as much of a roller-coaster as 2016. Expect peaks and troughs along the way as various announcements and comments are made regarding the shape of Brexit.

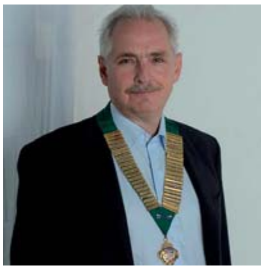
As a bellwether of the economy, the property sector will not only be effected by the negotiations with the EU, but it will also have a major part to play in how the capital and the nation as a whole, responds to the challenges that lie ahead. As an important focus of growth and regeneration, South London will be central to the story as it unfolds.

The ongoing transformation of London Bridge station will prove to be a significant driver of the wider regeneration of the South Bank and will further improve South London's connectivity with the national rail network. The transport infrastructure will be further improved in the next few years with tunnelling work due to commence this year on the Northern line extension through Nine Elms and a planned extension of the Bakerloo line on the drawing board.

While we can look forward to this investment paying off in years to come, the property market seems to be steaming ahead at full speed already with around 300,000 sq ft of new offices coming to the market in Q4 2016 alone. Despite the increase in supply, it is unlikely to keep up with the strong demand and with rumours of a further, major, corporate relocation being announced in the near future, expectations are high for 2017.

As ever, demand for housing across South London also remains high, although the development of new homes continues to be hindered by red tape and bottle necks in the planning system.

At KALMARs, we announced two senior appointments in the final quarter of 2016, with Luke Osborne becoming the head of our Strategic Land department, and Piers Hanifan taking charge of our Industrial Property team. These appointments are part of our continued expansion and Luke and Piers' extensive experience and in-depth understanding of the market will be of great benefit to our clients.



Richard Kalmar
Managing Director KALMARs
and Chairman Southwark Chamber of Commerce

SE1 CENTRAL OFFICE MARKET

TOP STORY:
BUSINESS RATES ARE CHANGING IN APRIL 2017. WE ARE ADVISING ALL BUSINESSES TO CHECK THEIR PROPERTIES NEW RATEABLE VALUE VIA THE VALUATION OFFICE AGENCY WEBSITE.

RENT

2016 ENDED ON A HIGH WITH AVERAGE SALE PRICES EXCEEDING **£700 PER SQ FT** AND ASKING RENTS HOLDING AT **£49 PER SQ FT** ACROSS LONDON'S SOUTHBANK.

IN Q3 2016, 97.3% OF TOTAL OFFICE SPACE WAS LEASED.

THE NEW DELIVERIES AT THE END OF 2016 HAVE **INCREASED VACANCY RATES TO JUST BELOW 5%**. WITH THE OUTLOOK **STRONG FOR Q1 2017** AND NEW YEAR TAKE UP RATES HIGH, DEMAND FOR SPACE IS LIKELY TO CONTINUE TO OUTWEIGH SUPPLY.

In quarter 4 the office market continued to resume its upward trend following some temporary uncertainty after the Brexit vote. With a continued lack of significant supply the market has remained tight and we have seen a significant increase in market activity. Movement particularly among small occupiers has been driving the leasing market forward.

The South Bank market still remains of good value relative to other London markets when comparing overall occupancy costs and the area continues to improve with good transport links and continually improving amenities.
The creative sector has now taken up close to 2,000,000 sq ft over the past 3 years.

Average office rents are now in the region of £50 per sq ft and in the near future we anticipate them to push above this level.

We believe moving forward to the latter part of 2017, as the London Bridge station redevelopment completes, this will be the next key driver of growth in the area providing improved transport links and much needed retail facilities.

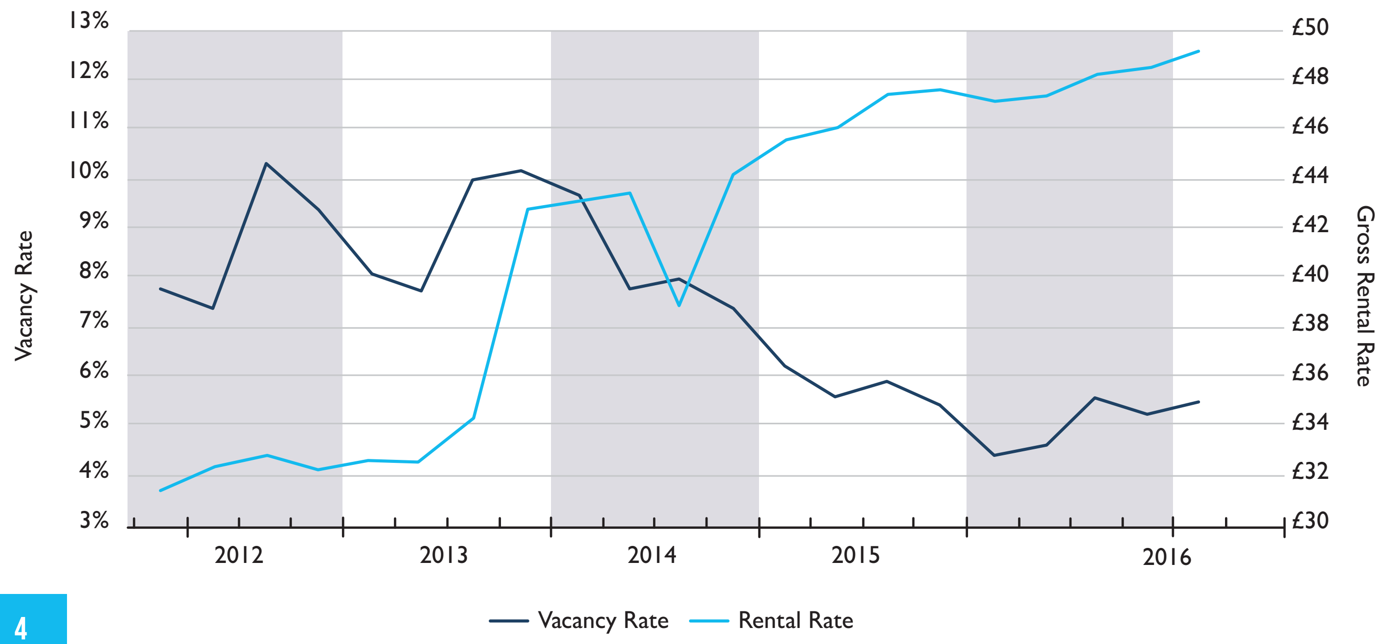
Most major developments are still some way off and include: The South Bank Tower, which is due to provide 225,000 sq ft next year. In 2018 the Shell Centre (800,000 sq ft) and Elizabeth House (950,000 sq ft) are expected to be delivered.

By Adrian Gurney
Director of Central Office Department

MOST ACTIVE AGENT BY NUMBER OF DISPOSALS.

WINNER
LONDON SOUTHBANK OFFICE
AGENCY AWARDS
2016
CoStar

SOUTHBANK ANNUAL VACANCY VS RENTAL RATE GRAPH



SE1 CENTRAL OFFICE MARKET

Q4 2016 BIG MOVERS

Zopa - One of Europe's leading peer to peer lending services has taken over 25,000 sq ft at Hays Lane, London Bridge, SE1.

Sage business software services has recently leased over 18,000 sq ft of office space at 32 London Bridge Street, SE1.

Kuoni travel has taken over 10,000 sq ft for a new branch at 96 Great Suffolk Street, SE1.

Zoopla Property Group PLC have taken over 43,000 sq ft by Tower Bridge, SE1.

CURRENT VENTURES

NEW BUILD OFFICE 67-71 TANNER STREET, SE1 3PL

22,238 SQ FT AVAILABLE FOR SALE OR TO LET

UNIT 1, 52 LANT STREET, SE1 1RB

1,163 SQ FT £58,150 PER ANNUM (£50 PER SQ FT)

UNITY WHARF, SE1 2BH - TWO OFFICES AVAILABLE

UNIT 13 2,200 SQ FT £115,500 PER ANNUM
UNIT 4 862 SQ FT £31,000 PER ANNUM

OVER **960,000 SQ FT** OF OFFICE SPACE WAS LEASED IN 2016. IN Q4 2016, **96% OF SOUTHBANK OFFICE** SPACE WAS LEASED.

KALMARs ENDED 2016 AS THE SOUTHBANK'S TOP LOCAL LEASING AGENT. (COSTAR DATA, JAN 2017).

JUST UNDER **300,000 SQ FT** OF NEW OFFICE SPACE WAS DELIVERED IN **Q4 2016.** AS MORE AND MORE BUSINESSES LOOK TO THE SOUTHBANK, THIS IS A WELCOME INFLUX OF **NEW STOCK TO THE MARKET.**

MOST ACTIVE AGENT BY NUMBER OF INSTRUCTIONS.

COSTAR FINDS KALMARs TO BE THE **TOP LOCAL AGENT** REPRESENTING LANDLORDS ACROSS THE SOUTHBANK. (COSTAR DATA, JAN 2017).

SOUTH LONDON OFFICE MARKET

HEADLINE SOUTH LONDON OFFICE NEWS
TIME WARNER ARE BELIEVED TO HAVE IDENTIFIED NINE ELMS AS A POSSIBLE LOCATION FOR IT'S 200,000 SQ FT OFFICE REQUIREMENT.
Source: CoStar.

GOOD NEWS FOR LANDLORDS, PROPERTY IS NOW SPENDING LESS TIME ON THE MARKET, DOWN TO FIVE MONTHS FROM A TEN MONTH ANNUAL AVERAGE.

SALES PRICES ARE ON THE UP AS DEMAND IN THE AREA GROWS.

RENT

AVERAGE ASKING RENTS EXCEED **£29** PER SQ FT ACROSS THE SOUTH LONDON OFFICE MARKET.

140,501 SQ FT OF NEW OFFICE SPACE WAS DELIVERED THROUGHOUT 2016, CONTRIBUTING TO A SLIGHT INCREASE IN AVAILABILITY BY **Q4 2016.**

WITH AVERAGE SALES ASKING PRICES AT **£350** PER SQ FT, ACHIEVED SALE PRICES SOARED IN Q4 TO **£529** PER SQ FT.

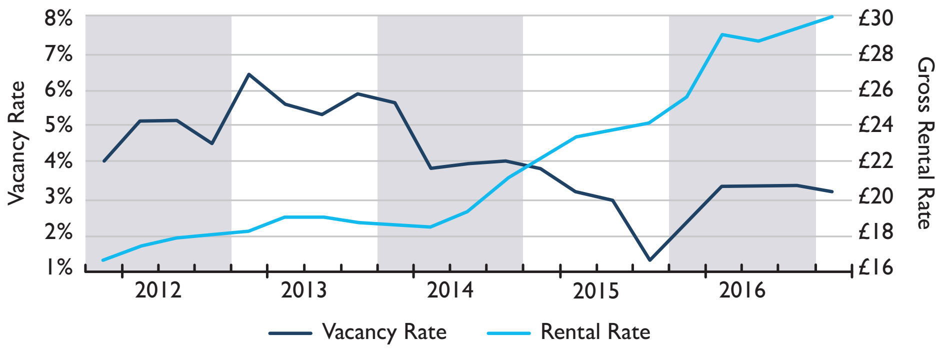
Despite a slow end to 2016 both rents and sale prices remained strong in decentralised office locations with average rents fast approaching £30 per sq ft and sale prices at £529 per sq ft. Interest from both investors and occupiers is currently very strong.

Activity at the start of 2017 has been very positive with a strong flow of new enquiries for office accommodation within the area.

With Costar reporting that US media giant Time Warner have identified Nine Elms as a possible location for its 200,000 sq ft office requirement it is clear that the area really is on its way to becoming one of London's premier business districts.

By Anthony Tappy-Day MRICS
Head of Retail & Decentralised Offices

ANNUAL VACANCY AND RENTAL RATE CHART



TAVERN QUAY ROPE STREET,
SURREY QUAYS, SE16 7TX

SIZE: 741 SQ FT TO 7,941 SQ FT
GROUND FLOOR OFFICE UNITS INVESTMENT SALE AGREED

HILTON'S WHARF,
30 NORMAN ROAD, SE10 9QX

SIZE: 2,553 & 2,675 SQ FT
OFFICE ACCOMMODATION FOR SALE

SALE PRICES ARE ON THE UP. WITH AVERAGE PRICES SLUMPING TO **£280 PER SQ FT IN Q3 2016, SALE PRICES HAVE BEEN RISING SHARPLY INTO THE NEW YEAR.** THIS COULD BE DUE TO NEW STOCK DELIVERIES WITHIN PRIME SOUTHBANK. **SEE AVERAGE SALE GRAPH DATA.**

RETAIL DELIVERIES DECLINED IN 2016. DOWN TO **143,000 SQ FT** IN 2016 COMPARED WITH **228,000 SQ FT** IN 2015.

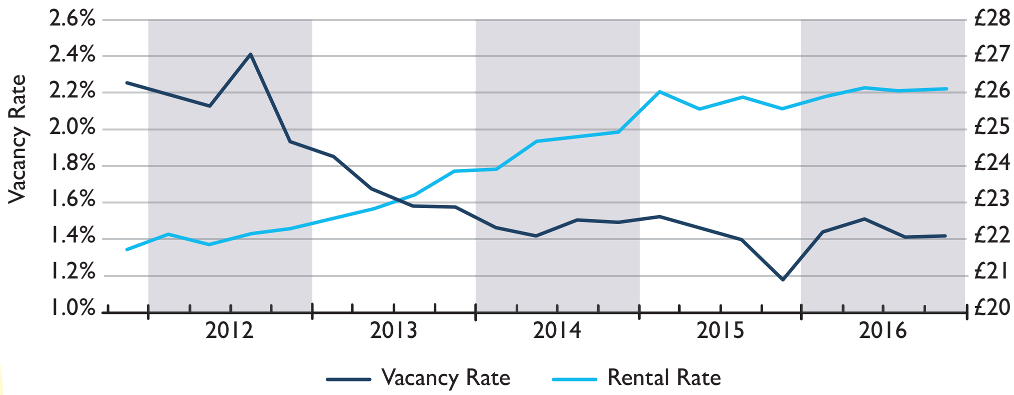
Retail rents continued to rise during the fourth quarter of 2017 with demand remaining steady in popular South London retail destinations such as Borough, Brixton, Peckham and the Southbank. Supply of vacant retail stock has however dropped off and there has been a steady flow of assignment and subletting opportunities coming to market.

Based on market activity we expect established retail locations to remain in high demand as 2017 progresses, however there is some uncertainty surrounding the performance of secondary and tertiary retail stock as demand for this type of property appears to be in decline.

By Anthony Tappy-Day MRICS
Head of Retail & Decentralised Offices

AVERAGE SALE PRICE PER SF

ANNUAL VACANCY AND RENTAL RATE CHART



RENT

ASKING RENTS AVERAGED AT **£30 PER SQ FT IN Q4 2016, IMPROVING SLIGHTLY** ON THE PREVIOUS QUARTER.

AVAILABILITY RATES FELL TO 1.4 % IN Q4 2016, A TREND SET TO CONTINUE AS INDUSTRIAL SPACE DECLINES.

25,499 SQ FT OF INDUSTRIAL SPACE WAS DELIVERED IN Q1 2016. 0 SQ FT HAS BEEN DELIVERED SINCE. **INDUSTRIAL DELIVERIES HAVE BEEN DECLINING CONSIDERABLY SINCE 2012.**

AVERAGE SALE PRICES FOR INDUSTRIAL SPACE CURRENTLY EXCEED **£380 PER SQ FT** REFLECTING THE ACUTE DEMAND FOR POTENTIAL DEVELOPMENT SITES ACROSS THE AREA.

TOP STORY:

KALMARs APPOINT PIERS HANIFAN AS THEIR NEW HEAD OF INDUSTRIAL

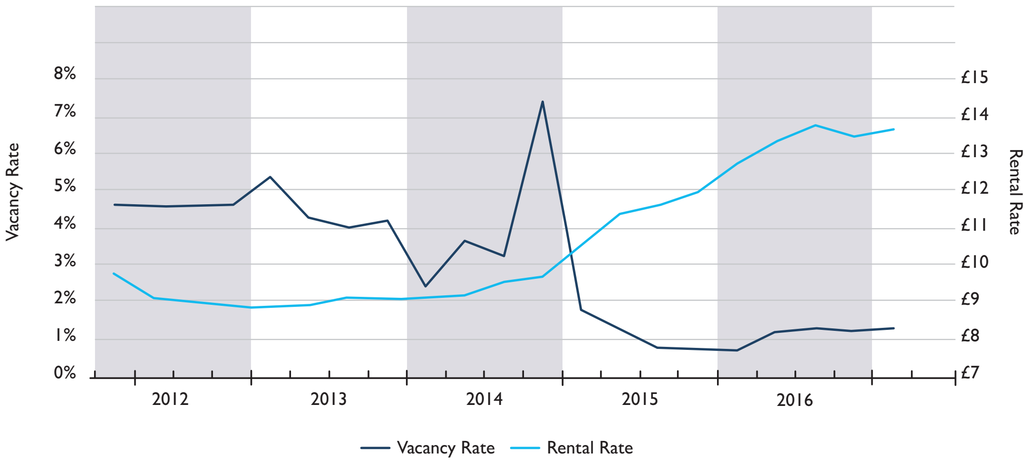
Quarter 4 saw an increase in industrial rental rates, where we at KALMARs are achieving between £15 to £16 per sq ft on our South London stock. Vacancy rates in Quarter 4 remained at a level just below 2%, this is a result of the continued loss of commercial space, especially industrial buildings and sites being converted into residential dwellings.

Assuming the economy remains buoyant we anticipate that demand for industrial stock in 2017 will continue to be high. The supply of long term industrial stock is reducing, which is due to the increasing pressure from residential development.

By Piers Hanifan
Head of Industrial

AVAILABILITY RATE

ANNUAL VACANCY VS RENTAL RATE CHART



CURRENT VENTURES

310-326 ST. JAMES ROAD,
LONDON, SE1 5JX

SIZE: 13,322 SQ.FT
TO LET LIGHT INDUSTRIAL/WAREHOUSE

UNIT 3 SURREY CANAL TRADE PARK,
SURREY CANAL ROAD, LONDON, SE14 5RW

SIZE: 6,210 SQ.FT
TO LET LIGHT INDUSTRIAL UNIT

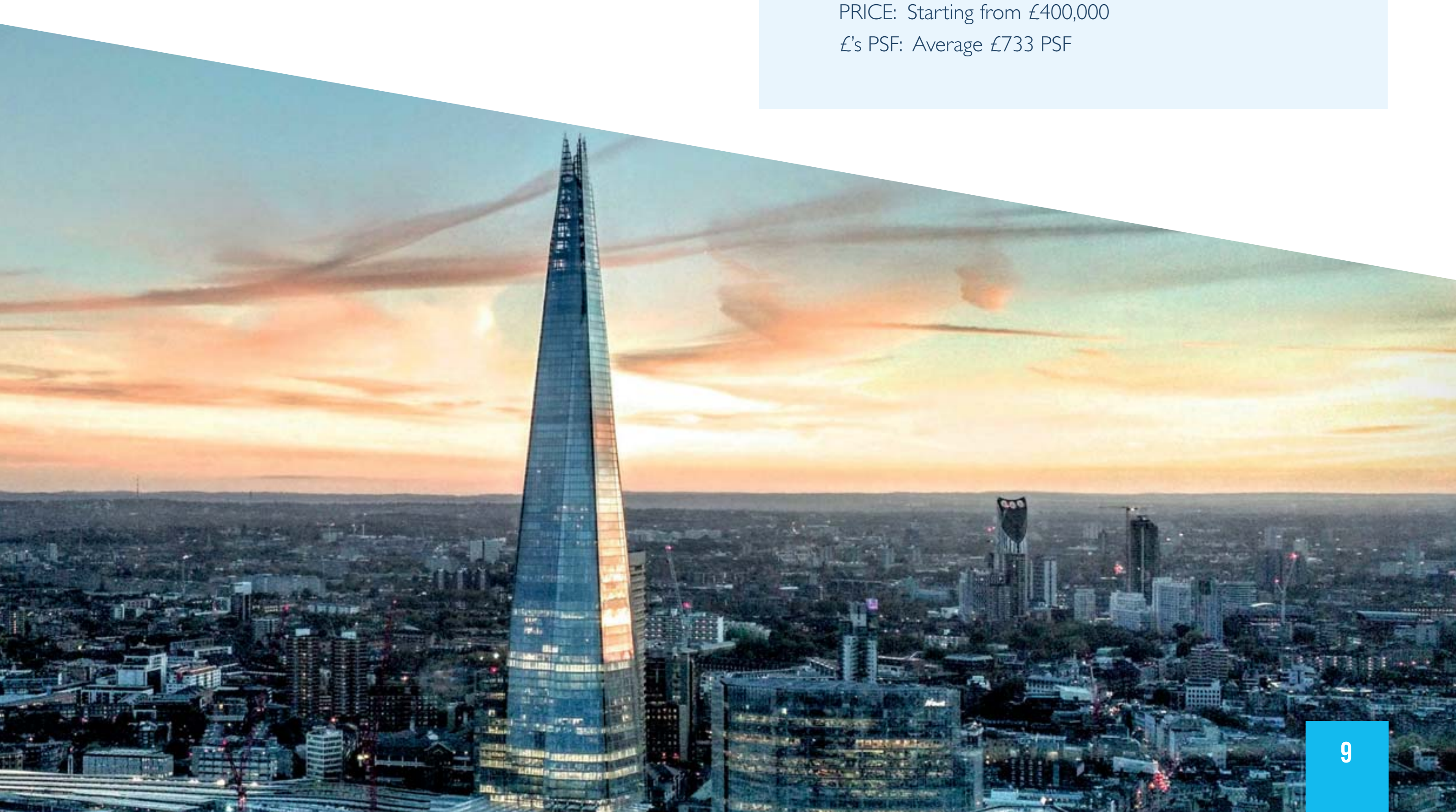
DEVELOPMENT

The final quarter of 2016 finally saw the Mayor of London publish the long awaited draft SGP (Supplementary Planning Guidance), covering two of the most significant issues affecting development activity since Sadiq Khan's appointment, affordable housing and viability. In short, a new approach to viability is likely to be implemented, where any applications falling short of a 35% affordable contribution will be subject to further assessment. A new "London Living Rent" tenure is also likely to be adopted. The consultation period for the SPG expires February 2017. On the back of this news, activity seems to have picked up in areas where residential values are £700 to £1,000 per sq ft (historically Zones 2/3 outwards). Whilst it is too early to comment on whether this activity will continue it would appear that the market has come back albeit cautiously.

By Luke Osborne
Head of Strategic Land

ADDRESS: 14 Westwood Park, Forest Hill, London, SE23
Existing 1950's house with planning permission for new build scheme for 7 large flats

ADDRESS: Zola House, Westow Hill, SE19
SIZES: 1, 2 and 3 bedroom apartments available
COMPLETION DATE: Quarter one, 2017
PRICE: Starting from £400,000
£'s PSF: Average £733 PSF



MOVING UP THE BOARD

South London's Old Kent Road has been identified as one of London's most important growth areas. It is seen, at a national and local level, as an obvious location for an extension of "Central London" and the planned expansion of the Bakerloo line will go a long way in achieving this.

Last year the London Borough of Southwark published a draft Area Action Plan and Planning Framework, which included plans for a regeneration of the Old Kent Road as a lively high street environment with a mixture of retail, restaurants, cafés and new homes. A total of around 20,000 new homes are planned for the area, to be complemented by "employment clusters" offering a mix of workshops, industrial properties and offices.

The extension of the Bakerloo line will be an important part of the regeneration of the area, and it is expected that there will be two new tube stations to serve the area, along with a new London Overground station at New Bermondsey.

Southwark Council is looking to undertake public consultation with local businesses in the Old Kent Road Opportunity Area during 2017. Further information regarding this consultation is available from the Southwark Council website (www.southwark.gov.uk)

SALES

The first month of the year is usually the busiest for the residential team with applicant numbers for three years running reaching or exceeding 1,000 enquiries. This month however has been substantially quieter potentially as a reflection of the market. The expectations we have for the year however are positive with some really exciting and high quality developments due to be launching. We still feel there is a strong enough demand (especially in South London, which we believe is becoming more and more fashionable) for well priced good developments. With many predictions for property prices down this year, we do not forsee as great a growth as previous years, however with demand on the low end being very high and areas which have exciting regeneration or development projects, there should still be some capital appreciation for some buyers and investors.

By Sebastian Kalmar
Residential Director

PROPERTY VALUE DATA/GRAPHS FOR SE1

PROPERTY TYPE	AVG. CURRENT VALUE	AVG. £ PER SQ FT	AVERAGE NUMBER OF BEDS	AVERAGE £ PAID (LAST 12M)
DETACHED	£809,684	£1,036	3.1	£1,279,000
SEMI-DETACHED	£759,576	£799	3.1	£831,111
TERRACED	£845,396	£830	3.0	£907,087
FLATS	£761,640	£1,018	1.9	£807,834

PROPERTY VALUE DATA/GRAPHS FOR SE16

PROPERTY TYPE	AVG. CURRENT VALUE	AVG. £ PER SQ FT	AVERAGE NUMBER OF BEDS	AVERAGE £ PAID (LAST 12M)
DETACHED	£664,054	£618	3.4	£1,150,000
SEMI-DETACHED	£579,833	£639	3.0	£606,444
TERRACED	£624,382	£651	3.0	£716,175
FLATS	£474,898	£684	1.9	£433,510

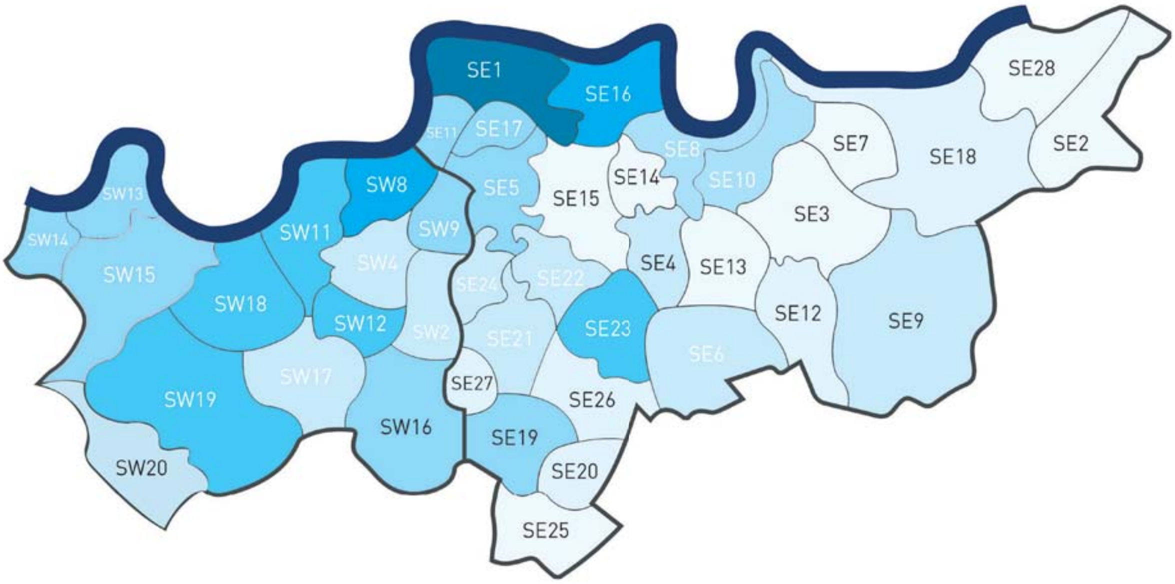
NEW DEVENTS

FOR SALE: Balfour Lofts, SE1
SIZES: 2 bedrooms
GUIDE PRICE: £800-850,000

UNDER OFFER: The Chandlery, SE1
SIZES: 3 bedrooms

FOR SALE: Camberwell On The Green, SE5
SIZES: 1 bedroom
PRICE: £450,000

AREA MAP: SALES PRICE £ PER SQ FT



- More than £1,500
- £950 - £1,500
- £800 - £950
- £700 - £800
- £600 - £700
- £500 - £600
- £450 - £500
- Less than £450

Source Find Properly

LETTINGS

The letting enquiries we have had have been at quite a reasonable level for the start of the year and the quality of applicants we have had is high. The number of lettings achieved in this first quarter is up on previous years. We expect this year the lettings marketwill be good, but with a rapidly growing supply of properties for rental growth to slow down. With changes to agency fees due to come in next year this could have an impact on rents at the latter part of the year, but has not had any immediate effect.

By Sebastian Kalmar
Residential Director

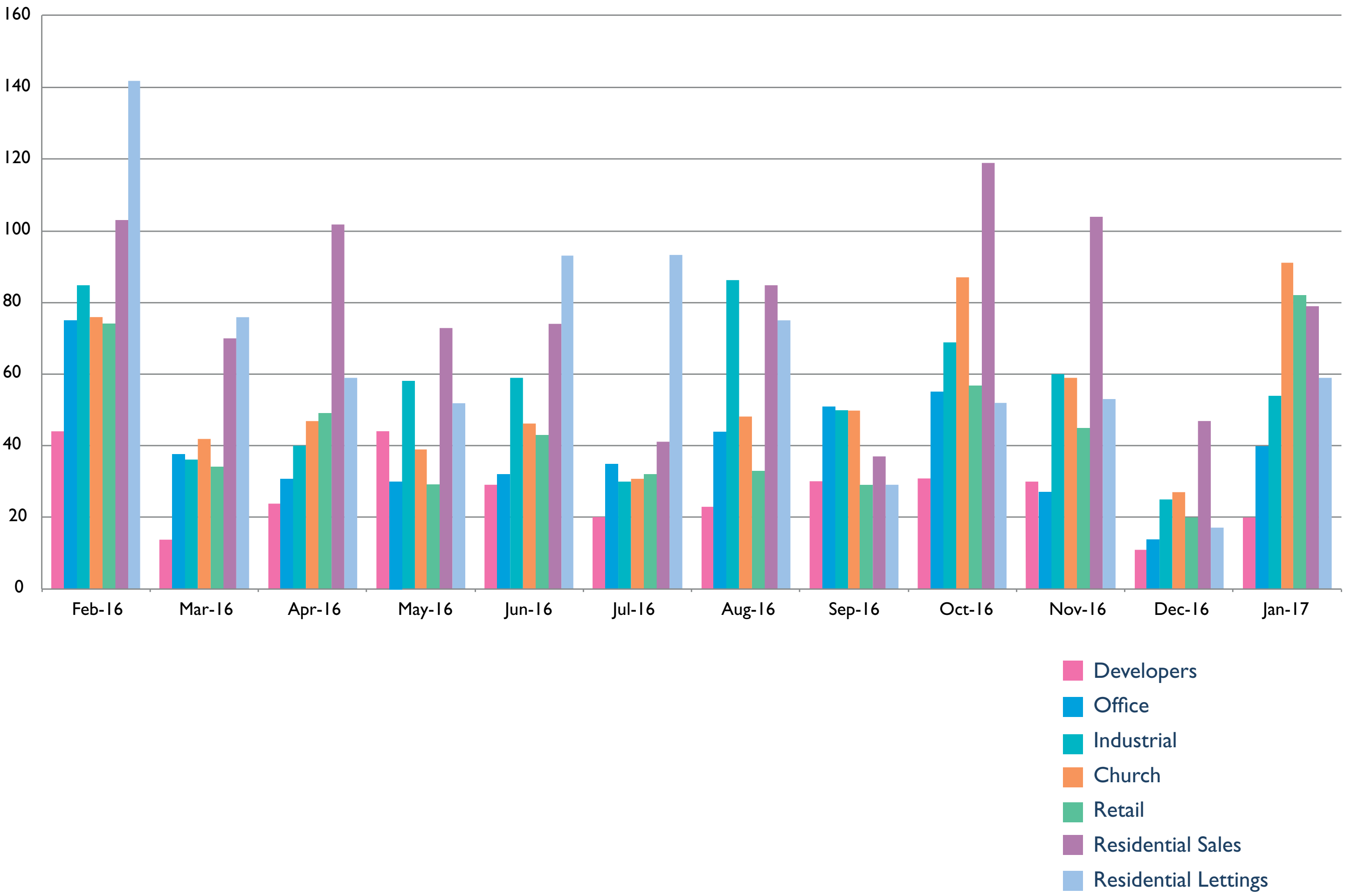
Blue Anchor Lane, SE16
SIZE: 2 bedrooms
PRICE: £595 per week

Alscot Road, SE16
SIZE: 2 bedrooms
PRICE: £461 per week

APPLICANTS

Applicant	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Average	Total
Developers	44	14	24	44	29	20	23	30	31	30	11	20	27	320
Office	75	38	31	30	32	35	44	51	55	27	14	40	39	472
Industrial	85	36	40	58	59	30	86	50	69	60	25	54	54	652
Church	76	42	47	39	46	31	48	50	87	59	27	91	54	643
Retail	74	34	49	29	43	32	33	29	57	45	20	82	44	527
Total Commercial	354	164	191	200	209	148	234	210	299	221	97	287	218	2614
Residential Sales	103	70	102	73	74	41	85	37	119	104	47	79	78	934
Residential Lettings	142	76	59	52	93	93	75	29	52	53	17	59	67	800
Total Residential	245	146	161	125	167	134	160	66	171	157	64	138	145	1734
Overall Total	599	310	352	325	376	282	394	276	470	378	161	425	362	4348

Applicant Numbers



Source KALMARs database

MEET THE TEAM

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CONCLUSION

2016 will, without doubt, go down in history as a year of dramatic and far-reaching changes in both the UK and abroad. The decision of the British people to leave the European Union will reverberate and have repercussions for the property market and wider economy for many years. Whether you agree with or opposed Brexit, the business community needs to soldier on and make the best of the situation.

Following Brexit there was a lull in the market whilst people took stock of the situation. The residential market was at the same time suffering from the hike in stamp duty and buy-to-let tax, which in hindsight was the main problem, rather than Brexit per se. As a result, there was reduced activity in Q3 over most sectors of the market, especially City banking. Confidence gradually returned in Q4 and business is now carrying on, albeit tempered by a note of caution, due to uncertainty. Fortunately, the strength of the South London market has meant it has remained relatively robust over this period.

The office market has reflected the attitude of the wider business community with demand, particularly for new and good quality space, enduring - despite the political turmoil. The time taken for office properties in South London to find tenants or buyers has fallen to an average of just five months (down from ten months) a very encouraging and positive sign.

London's local economy is being transformed, from one based on older style industrial and manufacturing industries, to one focused on technology, creative and service industries, driving the growth in demand for creative space. These modern uses have the benefits of employing eight times as many people on the same amount of land, require a fraction of the number of lorries, provide better more sustainable jobs and create less pollution. One example, is Pickle Mews at the Oval, as its name suggests this was a former bottling factory and is now an excellently finished media centre with a cinema, trendy community café and attractively finished former factory space. Along with other creative centres the owners are specifically focussing on this style of business.

The demise of manufacturing also creates opportunities for the land to be replaced by (much needed) residential property. However, in this digital age where we all conduct shopping online, there is demand for specialist properties suitable for the delivery of the goods we purchase. This is a challenge for the market that needs to be addressed, as rents during Q4 continued to rise as occupiers pursue the few opportunities open to them. Amazon taking a large two storey warehouse, robotised stackers and just-in-time computerised logistics are all the way of the future.

Traditional retailing also faces challenges due to the growth of our online shopping habits and out of town malls. In particular, secondary locations need to reinvent themselves if they are to remain sustainable. There is an increased focus on leisure shopping and dining so that roads like Bermondsey Street, Lordship Lane and Brixton town centre, which have embraced this change, are now really buzzing with activity and as a result pay landlords increased rents.

The supply of residential property remains low and demand for sites very high, we are not convinced that the long-awaited Housing White Paper will have much impact on the market. It appears not to address the fundamental problems in planning beset by long delays and naïve localism resulting in political, not planning based decisions that cause so many problems for developers and investors in creating the supply.

We at KALMARs wish you every success for the remainder of the year. While it may be a turbulent ride, we have experienced many peaks and troughs in the market over the 50 years since the firm was established, so please feel free to contact me, or any of the team, should you need any professional and reliable property advice.

By Richard Kalmar
Managing Director KALMARs
and Chairman Southwark Chamber of Commerce.

KALMARs

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