KALMARs

CELEBRATING OUR 50TH YEAR

SPRING QUARTER MARKET REVIEW 2017

SOUTH LONDON'S LEADING AGENTS

CONTENTS

FEATURES

Five times winner

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

MARKET REVIEW

2017
QUARTERLY NEWSLETTER

WELCOME TO OUR QUARTERLY REPORT.

As KALMARs approaches 50 years since it was established, we have been looking back at how London has changed over the past five decades and a couple of points stand out very clearly.

Firstly, it strikes me how incredibly adaptable London and its property market is.

Between 1971 and 1976, unemployment in the capital rose from 196,000 to 400,000 and over half of London's inner-city docks had closed. As they fell idle, the number of workers employed in the docks fell to below 10,000. Manufacturing in London also suffered and by 1979, its share of the capital's economy had fallen from 32% to 19% in a single decade. At that time, only 16% of London's jobs were in banking and finance. By 2015, it is estimated that the total number of people directly employed within the capital's financial service sector had reached over three quarters of a million people.

The second point is how the City of London and the financial sector has grown both in size and in importance, continually reasserting itself as Europe's financial capital. Even though Brexit is clearly not going to make things easy for this sector, nowhere else in Europe is able to rival the Square Mile either now or is likely to in the near future. As a result, the London property market remains robust and strong, despite the slowdown in Q3 and Q4 last year, while the Brexit fallout was analysed and digested.

The snap General Election called by the Prime Minister for June 8th took everyone by surprise, not least those in the property market. The adaptability of the capital, that we have seen over the past 50 years, will come into play again and the property market will no doubt respond according to the needs of Londoners and the business community.

Undoubtedly, the property sector (myself included) will be hoping that the election will see property issues like stamp duty land tax and business rates debated and addressed by the politicians. We have a feature on page 10 of this edition discussing the new rating assessments and restructuring of the appeals process. The 2017 reassessment of Business Rates has resulted in a huge increase in rates across London. In particular shops and some offices have experienced increases of up to 300%, a staggering amount for a businesses to absorb and I fear that it is likely to be the nail in the coffin for some marginal retailers in particular.

Elsewhere in this report you will see that KALMARs is experiencing continued keen demand for residential development sites. This is driven by four main factors:

- Private sales. Mortgage payments are often cheaper than rents, however, with the rapid increase in prices it is difficult for first time buyer's to get on the property ladder, hence the Bank of Mum and Dad helps fund 40% of first time buyers. Help to Buy (HTB) status where the government funds up to 20% of the purchase price on approved new developments is essential. On one estate we are marketing a purchaser increased their off by £80,000 on a flat when it gained HTB status.
- Housing Associations have had many mergers such as reasserting themselves as major players, many being very well funded and active buyers. They are focusing as much on the private element of the development.
- The private rented sector (PRS) sector is in high demand, fuelled by very high rents charged in London, and is predicted to be the big growth area. Companies like Legal & General are rapidly expanding their portfolios, playing catch up with many European countries.
- Demand for student housing, is strong, and without stringent social housing requirements it is often outbidding private developers. KALMARs have active negotiations on four separate sites at prices each exceeding £15m.

Demand for property in London remains robust with pricing reflecting the market's underlying strength. Despite the snap election, we expect this to continue for the remainder of 2017. Beyond the end of the year the outlook for the British economy is unclear and predicting what will happen during the Brexit negotiations is difficult. While there will undoubtedly be bumps in the road, London's adaptability and resilience can be relied upon to take these in its stride.

Richard Kalmar
Managing Director KALMARs
and Chairman Southwark Chamber of Commerce

SE1 CENTRAL OFFICE MARKET

MOST ACTIVE AGENT BY NUMBER OF INSTRUCTIONS.

RENT

AVERAGE ASKING RENTS HAVE **RISEN** FROM FROM **£49 PER SQ FT** IN Q4 2016 TO **£50.05** IN Q1 2017.

JUST OVER **15,000 SQ FT** OF NEW OFFICE SPACE WAS DELIVERED IN Q1 2017. MORE **STOCK DELIVERY IS NEEDED** WITHIN THE MARKET AS DEMAND CONTINUES TO OUTWEIGH SUPPLY.

THERE HAS BEEN A LEAP ON THE AREA'S **AVERAGE SALES PRICE RISING** TO **£815 PER SQ FT** FOR THE LAST QUARTER, A DIFFERENCE OF MORE THAN **£100 PER SQ FT** SINCE Q4 2016.

The office market take up continued to resume its upward trend during the first quarter of 2017 following another strong performance in 2016. With a continued lack of significant supply the market has remained tight and we have seen a significant increase in market activity. Apple's proposal to move the HQ to Battersea has helped drive a resurgence of interest in the Southbank.

There is still healthy investor appetite for office buildings from buyers undeterred by geopolitical events. Major improvements to London Bridge station are set to bring a wealth of new retail facilities to the area as well as making it far easier to access from north to south under the railway which has traditionally formed a psychological barrier. With average sales now priced at £815 per sq ft this reflects the continued demand. Average rents have also seen an increase to £50.05.

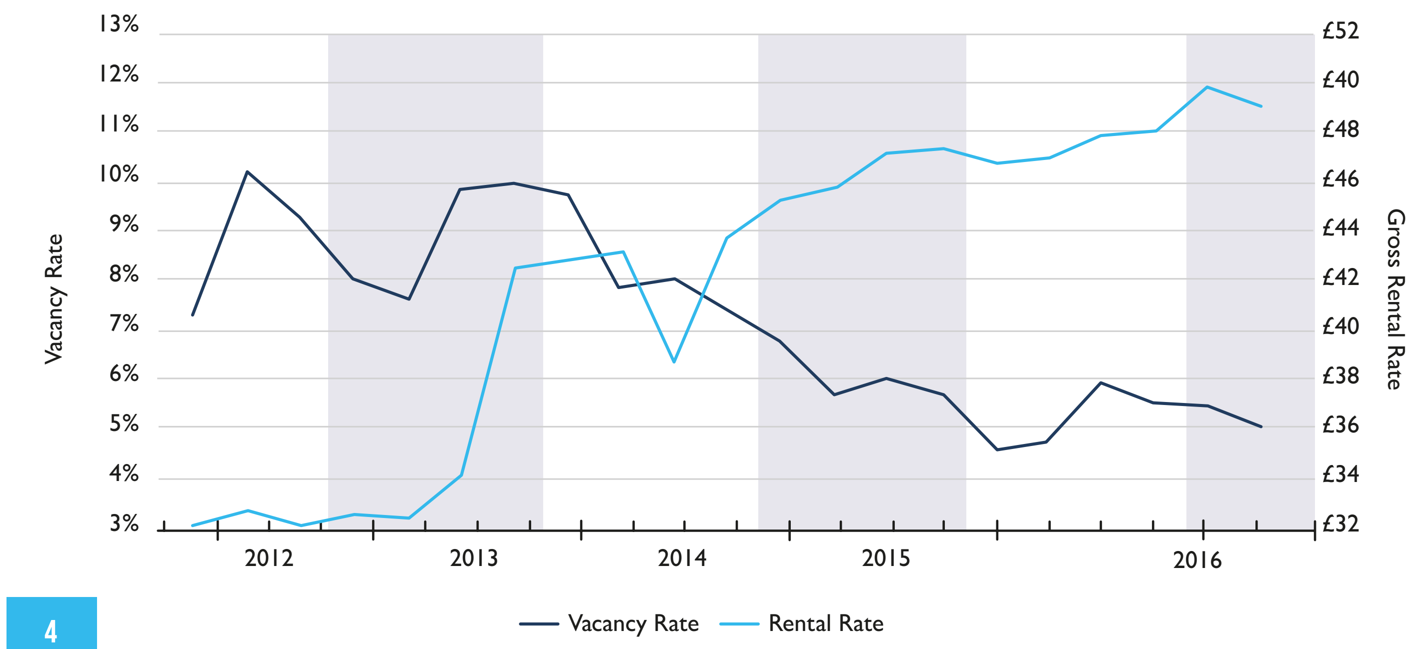
Businesses are being attracted here by the increasing vibrancy of the area with numerous quality restaurants and bars opening up. The South Bank market still remains good value relative to other London markets when comparing overall occupancy costs. With increasing interest from global occupiers the Southbank is fast becoming an established commercial contender.

By Adrian Gurney
KALMARs Director

WINNER
LONDON SOUTHBANK OFFICE
AGENCY AWARDS
2016
CoStar

MOST ACTIVE AGENT BY NUMBER OF DISPOSALS.

SOUTHBANK ANNUAL VACANCY VS RENTAL RATE GRAPH



AVERAGE SALES PRICE £PSF

CURRENT VENTURES

NEW BUILD OFFICE, 67-71 TANNER STREET, SE1

22,238 SQ FT AVAILABLE FOR SALE OR TO LET

THE RANKING BUILDING,
139-143 BERMONDSEY STREET, SE1

1,163 SQ FT ASKING PRICE £63,965 PER ANNUM
(£55 PER SQ FT)

THE OLD SCHOOL, EXTON STREET, SE1

630 SQ FT ALL INCLUSIVE RENT £51,500 PER ANNUM

DEMAND FOR OFFICE SALES ACROSS THE SOUTHBANK IS EXTREMELY HIGH WITH **VALUES EXCEEDING £1,000 PER SQ FT** FOR GOOD SPEC OFFICE IN SOME AREAS.

95.8% OF OFFICE SPACE IS CURRENTLY LEASED ACROSS THE **SOUTHBANK MARKET** DEMONSTRATING THE ACUTE NEED FOR MORE DELIVERY.

GOOD NEWS FOR LANDLORDS! AFTER A SHARP BUT RELATIVELY SMALL RISE IN VACANCY RATES FOLLOWING LAST YEARS BREXIT OUTCOME. **VACANCY RATES THROUGHOUT Q1 HAVE BEEN STEADILY DECLINING.**

DESPITE INCREASED STOCK DELIVERIES, AVAILABILITY HAS **CONTINUED TO DECLINE THROUGHOUT Q1.**

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

97% OF OFFICE SPACE IS CURRENTLY OCCUPIED.

AVERAGE SALES PRICES ACROSS SOUTH LONDON EXCEED **£451 PER SQ FT IN Q1 2017.**

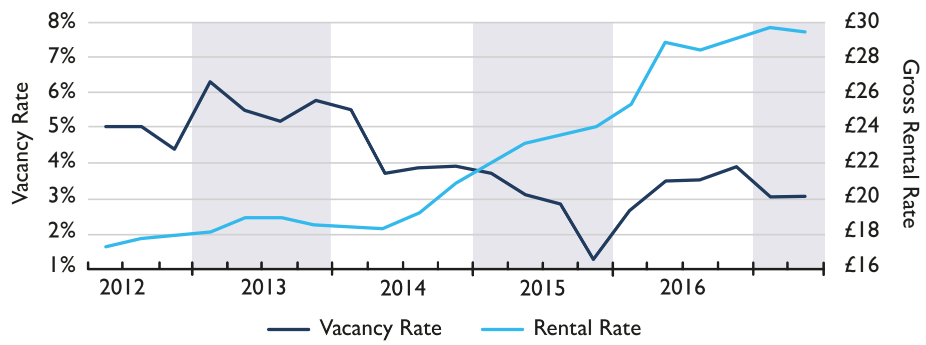
The high levels of demand and activity in the South Bank area has had a knock-on effect for the office market in the decentralised areas, with a strengthening of demand for space, particularly from small, privately owned businesses and start-up companies, many of which are open to taking space in areas that are not traditional locations for office occupiers.

Demand from creative, technology and service based businesses is particularly strong with many looking at South London locations due to the availability of older style properties, that have been converted for office use, with good access to public transport. A great example is the conversion of Offley Works in Pickle Mews, just near Oval tube station, which has seen a lot of activity since the turn of the year.

The strengthening in demand has been balanced by levels of supply and rents have remained stable in the decentralised office market during the first quarter of the year.

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

ANNUAL VACANCY AND RENTAL RATE CHART



OFFLEY WORKS,
1 PICKLES MEWS, SW9

SIZE: 1,600 TO 7,000 SQ FT (148 TO 650 SQ M)
CREATIVE STYLE OFFICE SPACE TO LET
PRICE ON APPLICATION

82-84
CHILDERS STREET, SE8

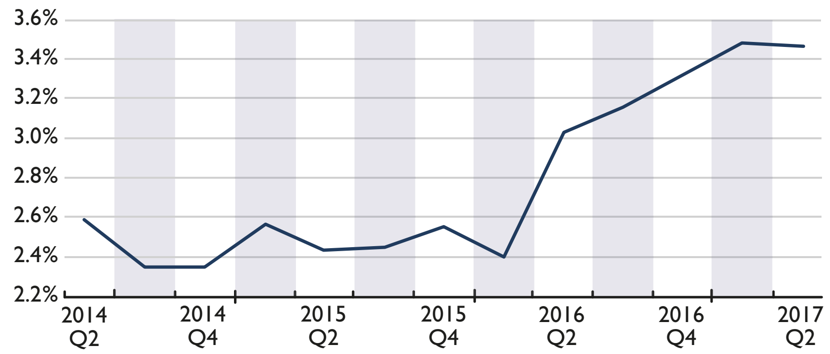
SIZE: 1,209 SQ FT OF COMMERCIAL/EDUCATIONAL SPACE
A COLLECTION OF 4 COMMERCIAL UNITS
PRICE ON APPLICATION

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

NEW RETAIL STOCK DELIVERIES HAVE CAUSED **AVAILABILITY RATES TO SPIKE** AT A **1% INCREASE** ON THIS TIME, 2016.

JUST BELOW **100,000 SQ FT** OF NEW RETAIL STOCK WAS DELIVERED ACROSS SOUTH LONDON IN Q4, 2016 AND Q1, 2017.

ANNUAL AVAILABILITY RATE %

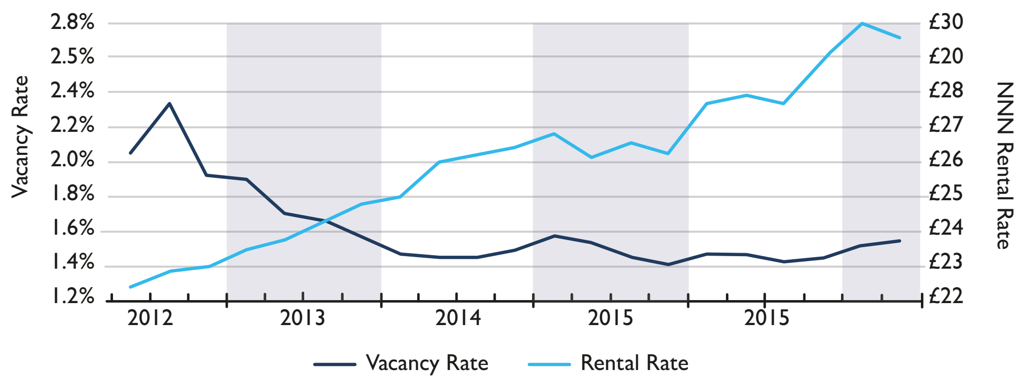


The retail property market in South London remained stable during the first quarter with no noticeable movement in average rents. New residential developments that have an element of commercial space continue to generate a steady supply of new stock, most of which is being taken by food and convenience occupiers.

The biggest cloud on the horizon is the impact of the business rates revaluation (read more about this on page 10). For many small businesses, the considerable increase in business rates will have a detrimental effect on their ability to trade profitably without passing on the additional cost to customers. This could have a negative effect on the retail market, particularly in tertiary and secondary locations and a fall in take-up of retail property should not be unexpected in certain locations.

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

ANNUAL VACANCY AND RENTAL RATE CHART



RENT

ASKING RENTS AVERAGED **£30 PER SQ FT** IN Q1 2017, HOLDING STEADY FROM THE PREVIOUS QUARTER.

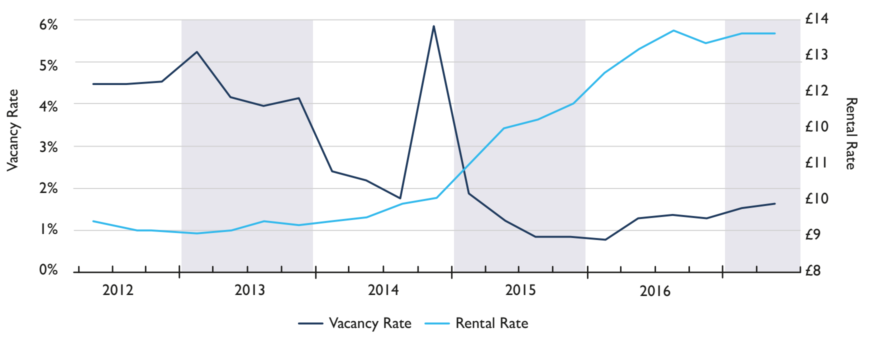
LONG LANE,
LONDON BRIDGE, SE1

SIZE: 1,715 SQ FT OF OFFICE/RETAIL SPACE
RENT: £65,000 PER ANNUM

98.5% OF INDUSTRIAL SPACE IS CURRENTLY OCCUPIED.

WITH INDUSTRIAL SUPPLY DWINDLING, PURCHASERS CAN EXPECT TO PAY OVER **£150 PER SQ FT** ON ASKING PRICE.

ANNUAL VACANCY VS RENTAL RATE CHART



Both vacancy rates and the availability of industrial property across the South London market increased slightly over the first quarter of 2017, with a total of 423,800 sq ft of stock on the market.

Despite this rise in availability, rental values have remained unchanged over the period with average annual rents stable at between £14-£16 per sq ft and demand for industrial accommodation remained high. The level of demand is expected to remain high particularly due to the lack of new space coming onto the market. The level of supply of new space is unlikely to improve as many landlords continue to favour short term leases with a view to seeking planning permission for a change of use to allow for residential development.

The availability rate may stall due to the general election in June which could impact on the market, with landlords waiting for the result before bringing their property to the market.

By Piers Hanifan
Head of Industrial

UNITS 3-5
BLACKHORSE ROAD, LONDON, SE8

SIZE: 10,500 SQ FT
FOR SALE
PRICE ON APPLICATION

CURRENT VENTURES

BUILDING F AT
100 CLEMENTS ROAD, BERMONDSEY, LONDON, SE16

SIZE: 147,000 SQ FT
TO LET
FIVE UNITS AVAILABLE AT £10 PER SQ FT

UNITS 1-2
BLACKHORSE ROAD, LONDON, SE8

SIZE: 5,500 SQ FT
FOR SALE
PRICE ON APPLICATION

The high level of demand for development sites has been a major feature of the market in recent years, a trend that has continued unabated during the early part of the year.

The demand is strong right across South London and is being driven by four main sub sectors of the market. At one end of the spectrum, pension funds and institutional investors are looking for sites suitable for large-scale, multi-tenanted developments that will be managed and form part of their PRS (Private Rented Sector) portfolios. Such schemes echo important sectors of the housing markets on the continent and in North America.

In the same vein, student housing developers and investors are looking for, and acquiring, sites around South London, principally in accessible locations that will allow their occupants to get to and from their colleges and university buildings, which are often elsewhere in the capital. At the same time, housing associations are also active in their quest for development land and the continuing trend of amalgamation and merger means that there are an increasing number of large, well-funded and active buyers in the market looking to invest and develop.

At the lower end of the scale, there continues to be high demand from private investors, small development companies, family offices and individual purchasers looking to buy opportunities for properties suitable for development, conversion and development. The Help to Buy scheme introduced by the government is often a further driver of this market.

The demand for sites suitable for commercial development has remained strong in South London during Q1, particularly within the central market areas where commercial property is often achieving higher rental levels than equivalent residential property. Increasingly developers are looking at potential projects that are solely commercial in their nature, such as Northstar's 22,238 sq ft office scheme in Tanner Street.

RESIDENTIAL/COMMERCIAL/HOTEL
ABBEY WOOD ROAD, LONDON, SE2

SIZE: 13,448.1 SQ FT (1,249.37 SQ M) AND POST OFFICE FREEHOLD
DEVELOPMENT OPPORTUNITY ADJACENT TO FUTURE CROSSRAIL STATION
FREEHOLD

While the regeneration of Battersea Power Station and the other major schemes around Nine Elms are never far from the headlines, there are other notable hotspots elsewhere in South London, not least of which are the plans for major regeneration schemes around the Old Kent Road, including a joint venture project between Galliard Homes and Aviva Investors which see the development of over 500 new homes. The whole area has been boosted by the prospect of an extension of the Bakerloo Line into South East London - which could be operational within eleven years. The focus on this part of South London is creating a great deal of development activity and at the current time KALMARs has transactions involving around nine acres of industrial land along the Old Kent Road in (or close to) the hands of solicitors .

On the 1st April 2017, the Valuation Office list of rateable values for all business properties across the country. The revaluation, the first for seven years, was widely criticised by businesses big and small. There was hope ahead of the chancellor's budget that he would announce additional relief for businesses and a major reform to the system - such as acknowledging that a tax based on a property's rental value and not on the profit generated from within is often unfair and disproportionate.

Unfortunately for many, this was not to be - at least not in the short-term - and a large number of small companies are looking forward with trepidation. This is particularly true in London where, it has been widely predicted, the increases in business rate bills will be felt most acutely. It has to be expected that this rise in overheads will be passed onto consumers and customers.

So what can be done by occupiers to alleviate the shock?

In the first instance we suggest that you call KALMARs for some honest, professional advice as in some cases there may be scope to appeal a property's Rateable Value. The process of doing this has been changed by the Government, with the introduction of what is called "Check, Challenge, Appeal" (CCA), aimed at improving the transparency of the system. It will come as no surprise to learn that there are potential pitfalls.

Triggering the "check" stage sets a timetable for the process and requires the business ratepayer, or their agent, to confirm specific details of the property. The "material day", as it is known, limits the date to which any new assessment comes into effect. If possible, inaccuracies are identified then revisions can be submitted and a challenge lodged with the Valuation Office (within a limited timeframe). If the challenge is unsuccessful, then the ratepayer can make an appeal to a Valuation Tribunal - again this has to be done within a limited space of time.

For a free consultation regarding your business rates, please contact now: info@kalmars.com

SALES

The past quarter has highlighted the fluctuations that exist within South London's residential market with the number of applicants looking to purchase homes steadying but the number of applicants looking to rent decreasing slightly something for investors and landlords to be aware of. At the same time, sale prices have plateaued with very little or no growth - making it a good time to buy. The government's Help to Buy scheme continues to play a significant role in propping up prices for some new homes.

Another feature of the market that we have been tracking at KALMARs over the past few months has been the notable shortage of well-priced period and resale properties in certain areas across South London, this is particularly true in the SE1 and SE16 submarkets. Conversely in some locations, such as Elephant and Castle, there is potentially and an oversupply of properties with a large amount of recent new builds either on or coming to the market.

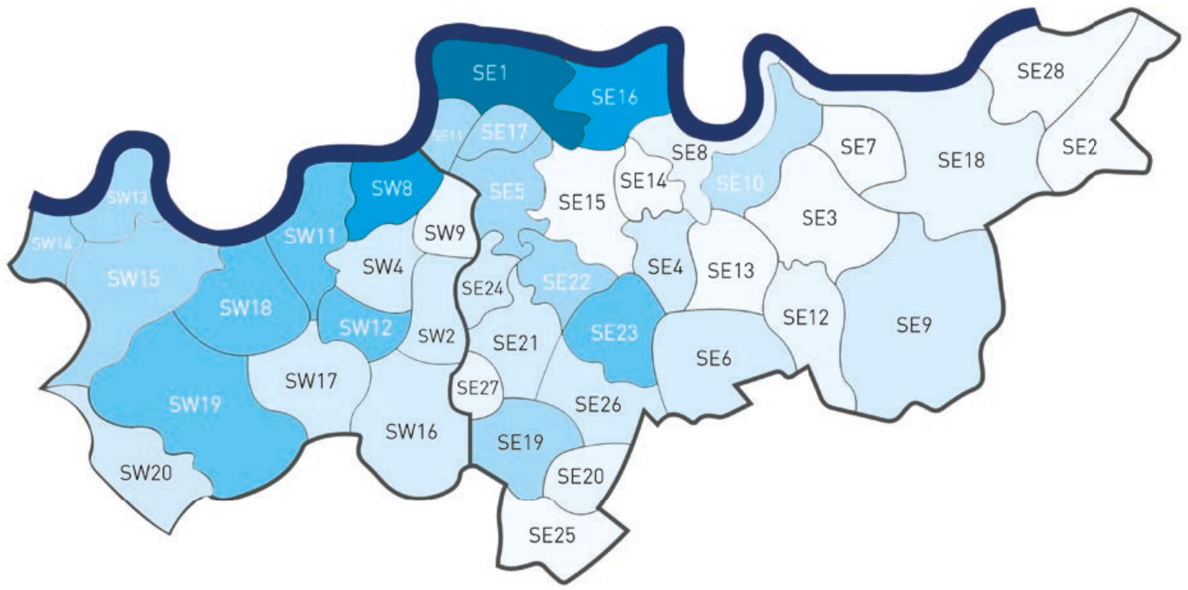
By Sebastian Kalmar
Residential Director

FLAT 2, 3 BROWNING STREET, SE17
Sale Agreed
Guide Price: £630,000-£650,000
Achieved above the guide price
2 bedroom duplex apartment set in a historic Victorian house previously occupied by the Patron of Robert Browning

THE CHANDLERY, SE1
Sale Agreed
Asking Price £950,000
2 bedroom duplex apt located on the third floor of this former Victorian School Conversion

PENTHOUSE, HOP STUDIOS, SE1
For Sale
Guide Price: £975,000
2 bedroom penthouse within a converted warehouse

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 fall in numbers of applicants in the rental market during the first quarter of the year is reflected in rental levels with no noticeable growth in the rents registered over the period. This is in line with KALMARs' predictions for the market in 2017.

While we remain optimistic that there will be some rental growth, particularly in areas of the market that are experiencing inward investment in terms of regeneration and development, such growth will be in localised markets and we do not expect the high levels of growth across South London that we have experienced in recent years.

By Sebastian Kalmar
Residential Director

ELIZA HOUSE, GLASSHILL STREET, SE1
SIZE: 3 bedrooms
PRICE: £1,000 per week

BELLVUE COTTAGE, BANYARD ROAD, SE16
SIZE: 1 bedroom
PRICE: £525 per week

45 ANCASTER ROAD, BR3
SALE AGREED

- Demolition of existing building and construction of four new apartments
- Pre-sold all four apartments to an investor while development is being constructed
- Due to market finished apartments late 2017

ZOLA HOUSE, SE19
SIZES: 2 bedrooms
PRICES FROM: £500,000

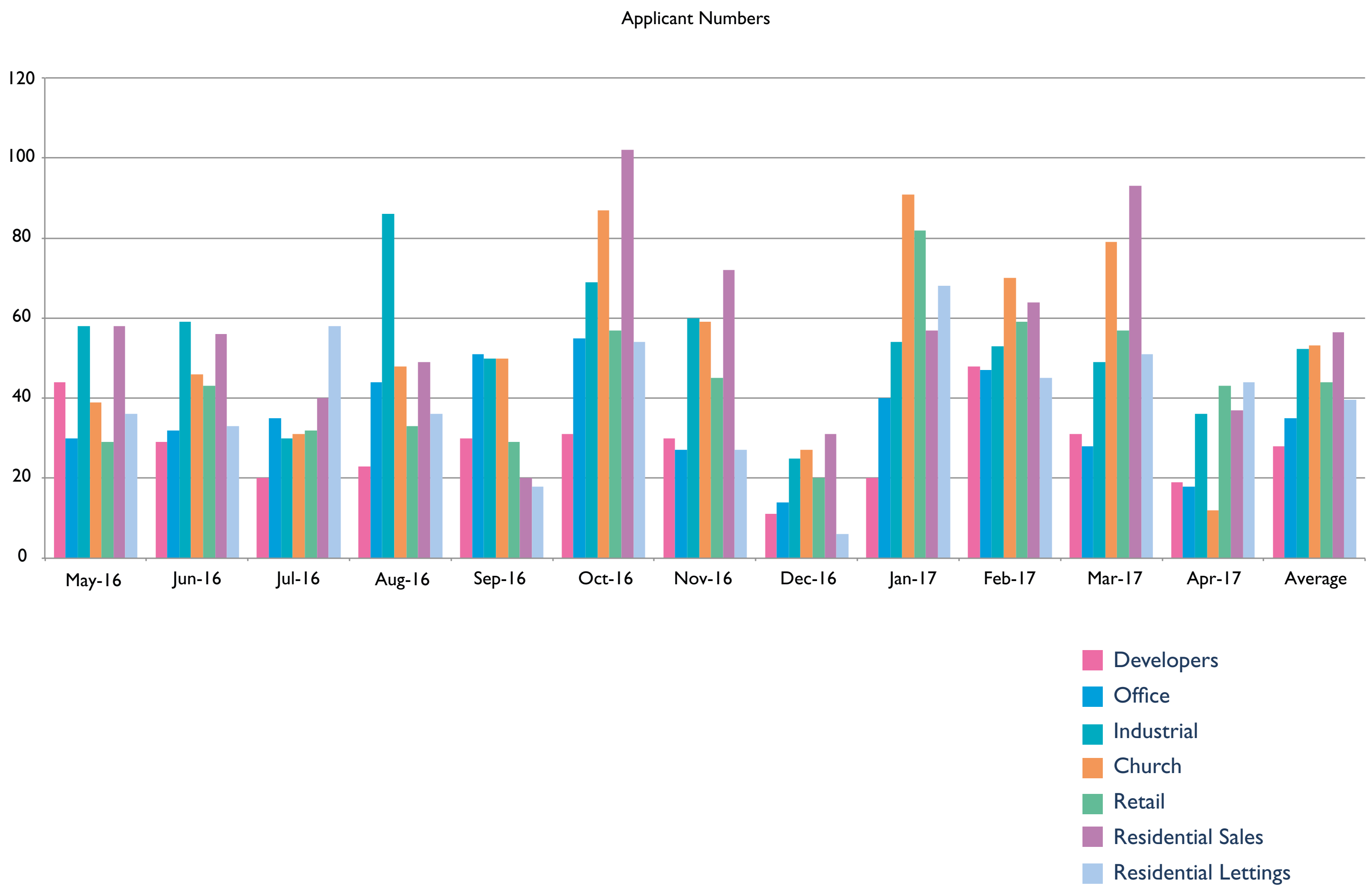
- Completing in May 2017
- 9 apartments
- All prices achieved are within three to four percent of asking price
- Available to be purchased through Help To Buy and potentially 75% of interest from HTB applicants

HEPPLE & WHITE, SE1
SIZES: 3 bedrooms
PRICES FROM: £2,400,000

- 50% under offer
- Attractive Grade II listed Georgian houses

APPLICANTS

Applicant	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	Average	Total	Average	Total	Average	Total	Average	Total
Developers	44	29	20	23	30	31	30	11	20	48	31	19	28	336	28	337	47	565	27	329
Office	30	32	35	44	51	55	27	14	40	47	28	18	35	421	41	489	85	1020	60	714
Industrial	58	59	30	86	50	69	60	25	54	53	49	36	52	629	57	678	85	1017	67	806
Church	39	46	31	48	50	87	59	27	91	70	79	12	53	639	52	622	74	893	28	337
Retail	29	43	32	33	29	57	45	20	82	59	57	43	44	529	43	516	99	1191	70	845
Total Commercial	200	209	148	234	210	299	221	97	287	277	244	128	213	2554	221	2642	391	4686	252	3031
Residential Sales	58	56	40	49	20	102	72	31	57	64	93	37	57	679	98	1176	107	1420	188	2258
Residential Lettings	36	33	58	36	18	54	27	6	68	45	51	44	40	476	72	867	117	1478	130	1560
Total Residential	94	89	98	85	38	156	99	37	125	109	144	81	96	1155	170	2043	224	2898	318	3818
Overall Total	294	298	246	319	248	455	320	134	412	386	388	209	309	3709	390	4685	632	7584	571	6849



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

LUKE OSBOURNE
Head of Strategic Land
lukeo@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 FEATHERSTONE
Central Office Consultant
lauraf@kalmars.com

FRANCESCA HARRIS
Residential Lettings Consultant
francescah@kalmars.com

ADAM ROSAN
Residential Sales Consultant
adamr@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

Tel: 020 7403 0600
www.KALMARs.com

WINNER
LONDON SOUTHBANK OFFICE
AGENCY AWARDS
2016
CoStar