CELEBRATING 50 FIFTY YEARS

KALMARs

WINTER QUARTERLY MARKET REVIEW 2018/19

SOUTH LONDON'S LEADING AGENTS

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

★ ★ ★ ★ ★
FIVE TIMES WINNER

WINNER London South Bank Office Agency Awards 2016 CoStar

MOST ACTIVE AGENT BY NUMBER OF DISPOSALS

MOST ACTIVE AGENT BY NUMBER OF INSTRUCTIONS

Q4 2018/19 AT A GLANCE

STRONG DEMAND for letting homes

concern over **BREXIT**

HIGH DEMAND for leisure use space

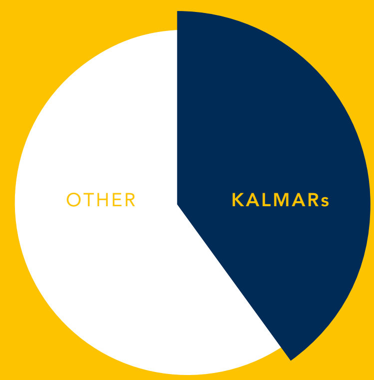
CREDIT still readily available

RISE in retail rents

INDUSTRIAL rents stabilise

> With excellent transport links and ever-increasing dining and leisure amenities, the South Bank, and South London in general, is becoming a location of choice

KALMARs MONOPOLISE THE SOUTH BANK OFFICE SALES MARKET



In December 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

65%

NOW **UNDER OFFER**

KALMARs are marketing 53 apartments in New Pier Wharf, Surrey Docks SE16. Four months before completion, over 65% are under offer.

2018/19 WINTER QUARTER

At the time of writing this, the political uncertainty caused by Brexit is completly dominating the market, as one can see throughout this report.

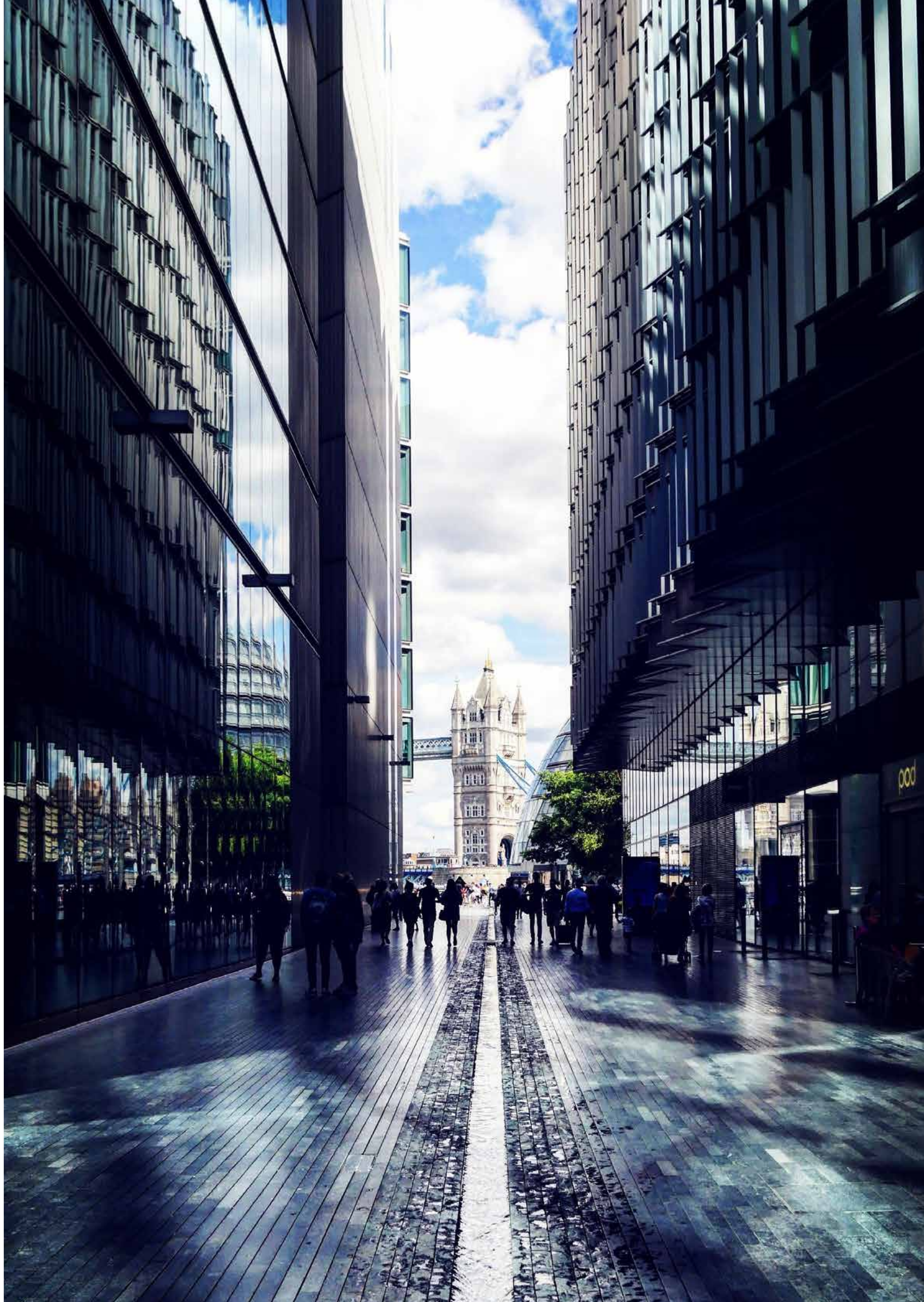
However, some forecasters believe that, once this uncertainty is resolved, buyers who have been putting off making their decisions will come back to the market and 2019 will be a strong year.

The fundamentals remain unchanged;

- Long-term lack of residential supply.
- Offices generally growing in importance as London continues its strengths in the TMT market.
- Industrial moving out of town due to pressure on land, increased size of vehicles and long-term competition from overseas.
- Retail adapting to the internet shopping revolution with leisure / beauty taking up the slack in space provision.

Massive changes are now rapidly taking place in development centres such as Canada Water, Old Kent Road, Elephant and Castle, Vauxhall and Greenwich Peninsula. A more attractive environment is now expected and demanded by residents and businesses.

Richard Kalmar
Managing Director KALMARs



KALMARs WINTER QUARTERLY MARKET REVIEW 2018/19

Slight 'dip' in asking rents for central offices

Market activity dominated by IT & creative occupiers

Vacancy levels fell by around 7%

SE1 CENTRAL **OFFICE MARKET**

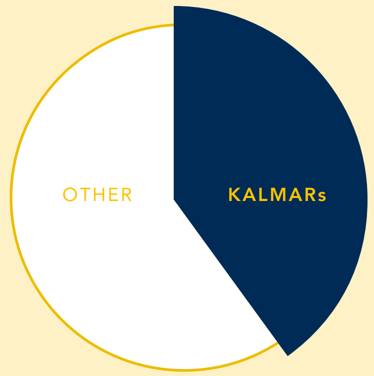
OFFICES FOR SALE IN SE1

The central office market in SE1 saw annual asking rents dip slightly to £52.63 per sq ft during Q4 2018, falling back from the all-time high of £53.90 witnessed in the previous quarter. Companies within the creative and technology sectors continued to dominate both enquiries and lettings.

Total available office space across the market also fell in Q4, by approximately 7%. Looking forward to 2019, this suggests that rents will remain strong in the near term.

Sale prices softened slightly in Q4, with economic uncertainly driving businesses to favour of leasing for relatively short terms rather than making long-term commitments.

KALMARs MONOPOLISE THE SOUTH BANK OFFICE SALES MARKET



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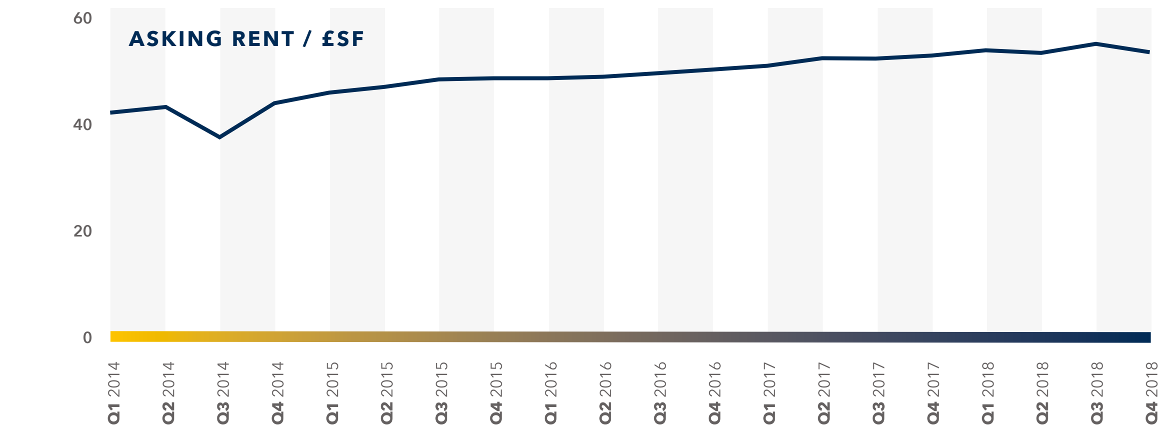
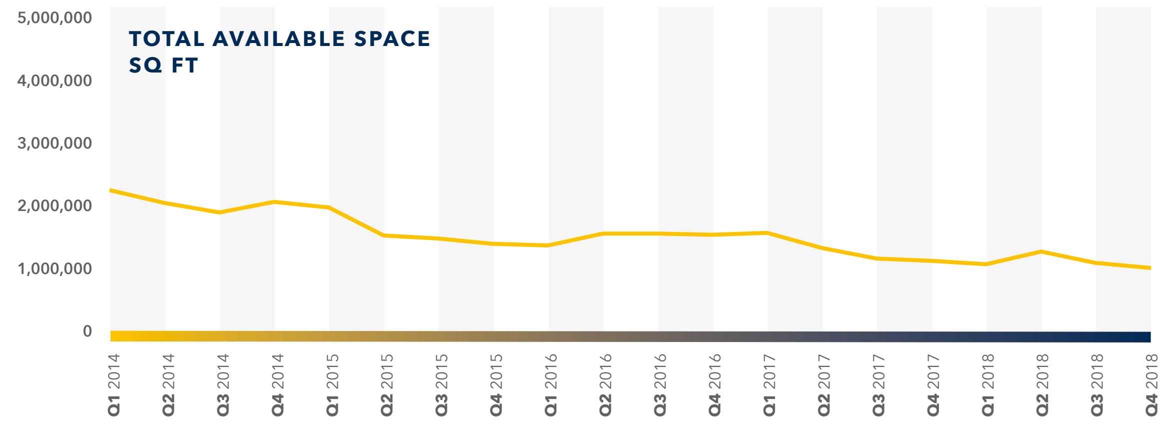




CURRENT VENTURES

PLANTAIN PLACE, CROSBY ROW, SE1
£5.8m

BICKELS YARD, BERMONDSEY STREET, SE1
£1.25m

Asking rent per sqft
DECREASED

LOCKWOOD HOUSE, 58 WESTON STREET, SE1
POA

Property still popular with
CREATIVE AND TECHNOLOGY SECTORS

Demand generally strong from leisure uses

Brexit resulting in 'wait and see'

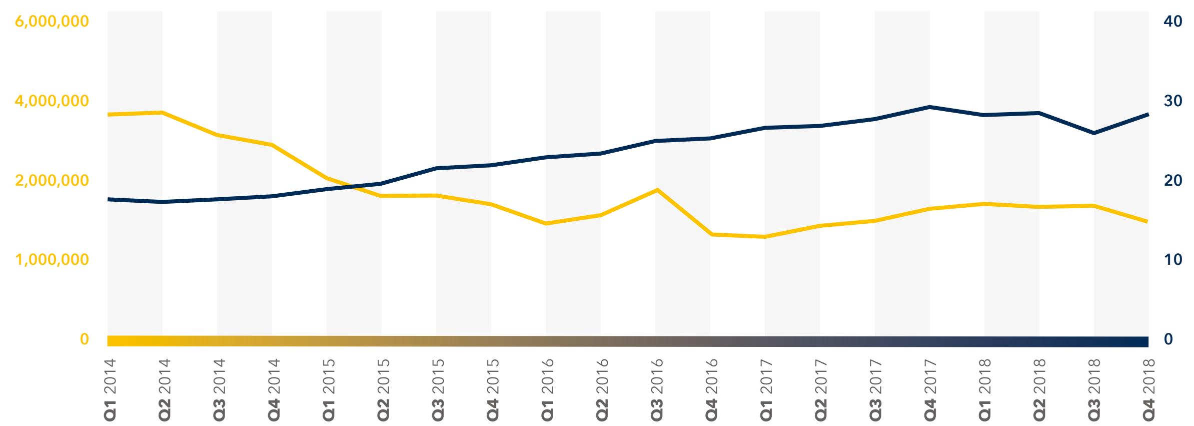
Property marketing still highly important

SOUTH LONDON **OFFICE MARKET**

Demand dropped slightly for office properties in south London's decentralised business locations during Q4 2018. Business sentiment remained nervous due to the uncertainty caused by Brexit, with many companies and entrepreneurs taking a "wait and see" approach.

Many residential developments are required to provide commercial space within them. This has generally been let/sold to a variety of users as most of the demand has switched from pure offices to leisure type uses including nurseries, gyms and arts groups. The cautious market requires that, even more than usual, campaigns should be carefully planned and reactive pricing is required to maximise the chances of an early letting/sale. KALMARs ensure that whenever possible high-quality brochures, advertising, SEO and general marketing is undertaken.

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



LOWER ROAD SE16
£30,000 pa

28 ST JAMES SE16
£28,000 pa

250 KENNINGTON LANE SE11
£45,000 pa

Retail rents rose in Q4 2018

Leisure & food operators dominate market activity

Good demand for large units in secondary locations

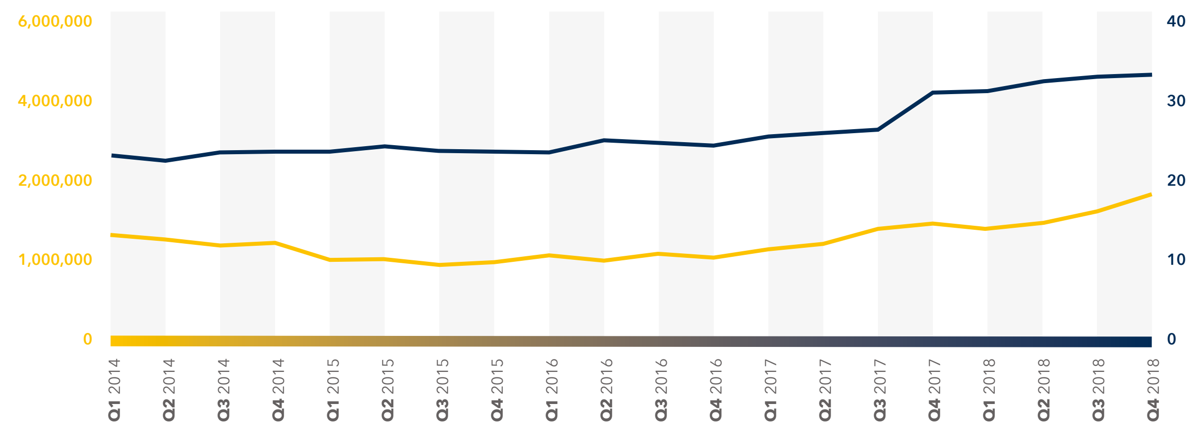
SOUTH LONDON **RETAIL MARKET**

If the south London retail market is anything to go by, it would seem that the reports of the death of the High Street have been greatly exaggerated. Retail rents actually rose during the final quarter of 2018, with restaurant and leisure operators being particularly active.

Speciality locations such as Lordship Lane, Bermondsey and London Bridge are very popular with trendy cafes and bars. Although small units are not usually considered in zones, if one analyses some rents, they break back to £175 for zone A space.

In secondary locations across south London, large units have been popular with gym and leisure operators, with the likes of Pure Gym and others continuing their aggressive expansion across the capital.

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



BOATMAN HOUSE, PROSPECT STREET SE16
£500,000 | 1,324 sqft

ELMIRA STREET SE13
£80,000

165 BERMONDSEY STREET SE1
£44,000+ Premium

Large scale developments are rapidly transforming extensive areas of south London

KALMARs

Rents stabilise after 2 years rising	Strong demand for freeholds	Total vacancy rates down over the quarter

SOUTH LONDON **INDUSTRIAL MARKET**

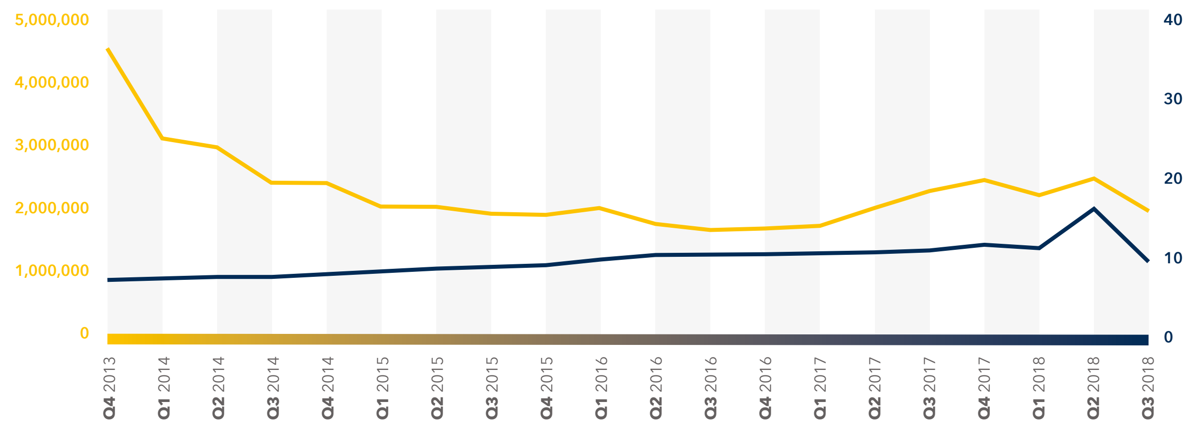
After very rapid growth over several years, demand for industrial property reduced over the last quarter of 2018 and, as a result, rents across South London's industrial market softened back to the levels of Q2 2016.

We anticipate this will be temporary as the economy improves following some resolution of the political climate.

The total vacancy level of industrial property fell across the market, a trend that is likely to continue, with the redevelopment of industrial land for residential continues.

Freehold opportunities are very limited, and prices remain high, in some cases competing with development land values. Investments are even rarer, consequently we have agreed some values in excess of £500 per sqft.

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



2 - 10 OSSORY ROAD SE1

UNIT 8 & 9, ROPERY BUSINESS PARK, CHARLTON SE7
POA

57 KELLNER ROAD SE28

KALMARs WINTER QUARTERLY MARKET REVIEW 2018/19

Average time on market increased during Q4 2018	Potential unlocking of demand following Brexit	Prices stabilised in SE1

SOUTH LONDON **RESIDENTIAL SALES**

South London's residential property market has seen slower sales with the average time on the market increasing during Q4 of 2018. This is no doubt due to the prevailing uncertainty created by the maelstrom of Brexit negotiations. In spite of the 2016 hike in Stamp Duty, the upper end of the market has now dropped sufficiently to balance out this extra cost and buyers are now beginning to become accustomed to these high costs.

Generally, whilst slow, there has been a steady turnover of properties for sale. With prices remaining static, purchasers are able to get good deals at present.

Many forecasters believe that, once the uncertainty of Brexit is resolved, purchasers that have been hesitant in making a commitment will start to buy.

CURRENT ASKING PRICES

AVERAGE SE1: **£1,376,643** AVERAGE SE16: **£550,556** AVERAGE SE17: **£596,777** AVERAGE SE8: **£475,749**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£456,667	£1,145,606	£1,725,600	£1,375,714	£3,000,000
SE16	£356,667	£379,125	£815,381	£881,782	£765,000
SE17	-	£667,500	£952,500	£1,116,667	£725,000
SE8	-	£472,000	£580,544	£764,237	£875,000
APARTMENTS					
SE1	£738,180	£1,343,052	£2,586,472	£4,761,662	£2,400,000
SE16	£425,306	£564,266	£631,461	£559,167	£585,000
SE17	£489,410	£620,758	£683,060	-	£474,950
SE8	£364,735	£458,380	£585,512	£799,975	-

*Information from Zoopla, correct from 11th December 2018

TERRACOTTA COURT, TOWER BRIDGE ROAD SE1
£700,000 | 861 sqft | 2 bed

76 COUNTY STREET SE1
£925,000 | 1455 sqft | 3 bed

95 NEW KENT ROAD SE1
£500,000 | 668 sqft | 2 bed

South London letting market strong in Q4 2018

Increased volume of new applicants

Rent levels largely unchanged

SOUTH LONDON RESIDENTIAL LETTINGS

The residential lettings market remained strong across south London in Q4 2018, with good levels of activity being carried over into the New Year.

The volume and quality of new enquiries from applicants also remained high. There were no dramatic changes in average rental levels during the last quarter, with no significant increases or falls being reported. It will be interesting to see what effect the agency ban on fees to applicants will have when they come into force this spring.

The market fundamentals make us confident that 2019 will be a strong year for residential lettings across South London.

CURRENT RENTAL £S PCM

AVERAGE SE1: **£3,162** AVERAGE SE16: **£1,951** AVERAGE SE17: **£1,980** AVERAGE SE8: **£1,694**

PROPERTY TYPE	1 BED	2 BED	3 BED	4 BED	5 BED
HOUSES					
SE1	£1,801	£3,297	£4,182	£3,675	£3,467
SE16	£1,004	£1,635	£2,692	£3,263	£2,999
SE17	£1,408	£1,972	£2,830	£3,073	£3,402
SE8	£835	£1,809	£2,029	£2,431	-
APARTMENTS					
SE1	£2,291	£3,157	£5,548	£3,262	£3,575
SE16	£1,468	£2,169	£2,449	£3,047	-
SE17	£1,630	£1,964	£2,276	£2,587	-
SE8	£1,286	£1,707	£2,692	£2,235	-

*Information from Zoopla, correct from 11th December 2018

CREST APARTMENTS SE6
£1,350pcm (£311pw) | 2 bed

SCOTT SUFFERANCE WHARF SE1
£2,150pcm (£496pw) | 2 bed

DONS COURT BR1
£950pcm (£219pw) | Studio

KALMARs WINTER QUARTERLY MARKET REVIEW 2018/19

Wide variety of schemes provide market diversity

Brexit uncertainty currently continues to impact market

Prices generally remaining stable

NEW HOMES

Despite the market currently being more difficult, fundamentally the lack of supply of new homes versus demand in London remains unbalanced with potential to return to unsustainable inflation.

Large-scale regeneration of the Old Kent Road, Elephant & Castle and in Canada Water, along with the Bakerloo line extension, should provide greater stability and positive long-term growth for the south London market.

In Q4 2018, and currently, sales have been held back by concerns over Brexit. However the market is far from dead. This is clearly illustrated by a new development we are marketing at New Pier Wharf in Surrey Docks which has secured 37 purchases out of the 53 apartments, all at or very close to the asking terms, several months before completion of building works.

Elsewhere, major developers are reporting slow but steady sales, and companies like Galliard and Berkeley Homes are continuing to seek sites.

> Major regeneration schemes give positive forecast for stability

HEPPLE HOUSE, 142 LONG LANE SE1
£2.15m | 3 bed

DESIGN HOUSE, 150-152 LONG LANE SE1
From £850,000 | From 864 sqft

HEPBURN LOFTS, TANNER STREET SE1
£800,000 | 1020 sqft | 3 bed

Growth in 'Build to Rent'	Plentiful supply of finance	Record breaking year for KALMARs

DEVELOPMENT

Uptake of development opportunities has continued despite political uncertainty.

The softening of the residential market is slowly being reflected in site prices. Many clients are seeing the current conditions as an opportunity, with some adapting their exit strategy to hedge against political uncertainty and the resulting market conditions.

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 challenging. Issues which can increase project duration and cost include timing, affordable housing, affordable workspaces, restrictions on use, parking limitations, and cycling and sustainability requirements.

KALMARs have had a record-breaking run selling sites through 2017 and 2018 and have a very strong pipeline for 2019. Many exciting development areas in south London, combined with pro-regeneration local authorities and a wide range of finance available, mean that 2019 should be a busy year.

134-140 ILDERTON ROAD SE15
OIEO £10m | Planning for 60 flats plus commercial

349 ILDERTON ROAD SE15
OIEO £15m | Planning for 130 flats plus commercial

2-10 OSSORY ROAD SE1
11,000 sqft site sold with development potential

KALMARs WINTER QUARTERLY MARKET REVIEW 2018/19

INTRODUCING ADVANCE TO GO

Old Kent Road may not be replacing Mayfair on the Monopoly board in the next few years, but in terms of investment performance, we strongly believe that it is likely to outperform more established areas in London.

Old Kent Road's central London location and planned regeneration through the Area Action Plan have resulted in many market leaders such as Berkeley Homes and Galliard Homes heavily investing in the area through acquisition of land and planned large scale developments.

KALMARs have been active in this area for many decades and believe that their job is not just to promote individual buildings, but whole communities. In this case the promotion will help reestablish Old Kent Road as an integral part of the great city of London.

As part of addressing the outmoded down-market image, this Spring KALMARs are launching a brochure called **'Advance to Go'** to inform potential residents and businesses of the great opportunities provided through the variety and scale of parks, schools and properties being developed.

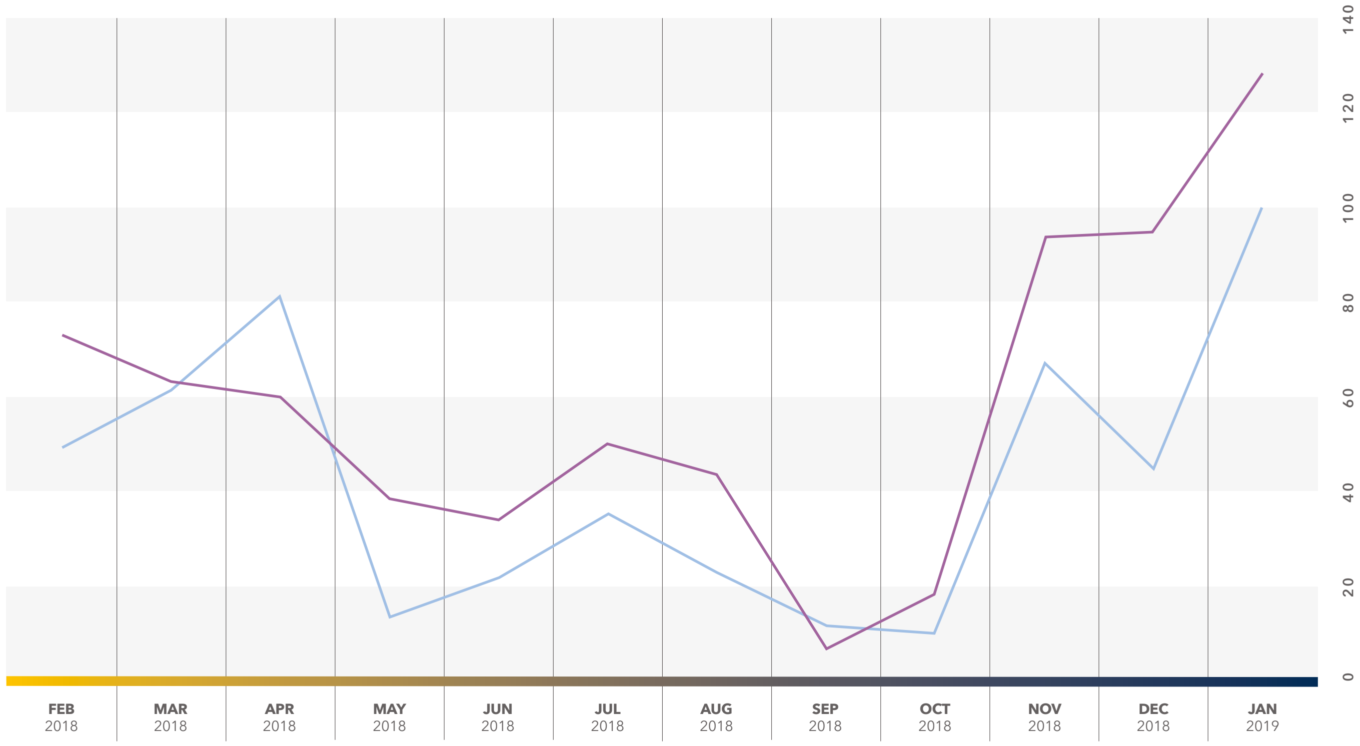
The brochure provides a brief synopsis on the major developments that, collectively will provide approximately 6,000 new homes and 600,000 sqft of sustainable new commercial space appropriate for 5,000 new jobs. These developments will significantly change the area, not only benefitting the developers who are making the investment, but also the existing communities and providing homes and jobs for the future of all Londoners.

KALMARs WINTER QUARTERLY MARKET REVIEW 2018/19

WE ARE **KALMARs**

KALMARs APPLICANT NUMBERS

KALMARs applicants are recorded to provide a barometer illustrating the level of demand in south London. The numbers do need some explanation, as for instance the residential peek in January 2018 was in part caused by an exceptionally popular development being launched. The general trend showed a drop in activity up until September, followed by a steady increase. This reflects many of the factors in this report, Brexit taxes and general market sentiment being the main drivers.



Residential applicants   Commercial applicants

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Ewa Broda
PA / Secretary
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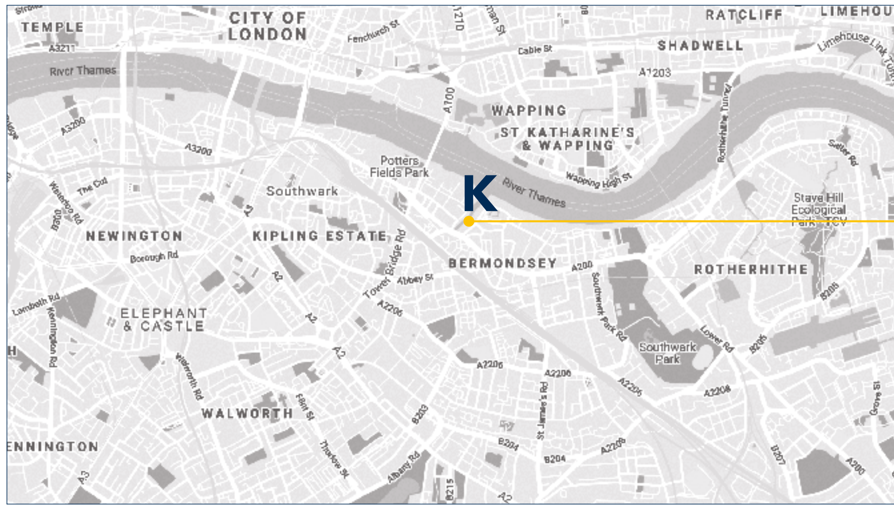

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