



**KALMARs**

SOUTH LONDON'S LEADING AGENTS

**SPRING/SUMMER**

QUARTERLY MARKET REVIEW

2021

# CONTENTS

- 04** MARKET OVERVIEW
- 06** SE1 CENTRAL OFFICE MARKET
- 07** DECENTRALISED OFFICE MARKET
- 08** RETAIL MARKET
- 09** INDUSTRIAL MARKET
- 12** PRIVATE RESIDENTIAL SALES
- 13** RESIDENTIAL LETTINGS
- 14** NEW HOMES
- 15** SOUTH LONDON DEVELOPMENT MARKET
- 16** VACCINES: A SHOT IN THE ARM  
FOR THE ECONOMY?
- 18** WE ARE KALMARs
- 19** MEET THE TEAM



# 2021 SPRING/SUMMER QUARTER

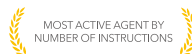


**Richard Kalmar**  
Managing Director

I am often asked how the market is, and generally reply, it is like a curate's egg i.e. good in parts. Property types and regions often vary significantly in terms of their strengths. Residential, land, industrial, and, perhaps more surprisingly, local shops are all doing well. The latter partly because shoppers are avoiding shopping centres and shopping locally. Demand for development sites, whilst tighter than it was a year ago, is still reasonable, reflecting the underlying residential strength. Demand is also sector specific; in London's dynamic market tourist related businesses have been especially hard hit, whilst IT and final mile deliveries have boomed, and London is well placed to exploit these markets.

Offices have suffered through the lockdown, mainly due to staff working from home (WFH) and as a result rents have dropped about 25%. It is not likely to be clear until the end of the year how ongoing demand pans out. Even in the South Bank and the south London office market there is disparity, as sales have been more resilient than rents. Vendors are taking a longer-term view, anticipating that demand will come back. Perhaps more reassuringly, purchasers are also reasonably active. KALMARs are well placed to assess this (with approximately 60% of the office sales instructions in SE1) and have recently agreed several sales of units up to 14,000 sq ft to local businesses taking advantage of competitive pricing.

Brexit has been eclipsed by the pandemic but as the vaccine kicks in, Covid will become less of an issue. So what effect will Brexit have on the London property market? The truth is no one really knows. London has been the gateway to and from Europe and currently retains its



dominant financial position, this momentum is unlikely to dissipate overnight. Europe is not the only focus, with emerging markets looking for funding and the States still being very important, Lloyds of London does more business with the US than with the whole of Europe. Also, since Brexit, several major IT companies have set up European hubs in London which has a large high-quality pool of staff, is a popular place to work, has a favourable tax system, is in a convenient time zone, has stability and we speak English. Therefore, although London may well have done much better without Brexit, its underlying strength is still robust.

Covid has not been the cause but it has been a catalyst to revolutionise office use. In the future offices are likely to be people rather than price focused, focused on meetings, company culture with less desks and more breakout areas. Again this will vary, and sales intensive and team orientated users are likely to continue to have more intensive uses.

KALMARS take a positive approach and in the first quarter our newly opened residential office in Old Kent Road has already hit target. As a result, and as part of our growth programme, we have recruited two new high calibre staff. David McGuinness joins us with 20 years' experience in residential sales, including at a senior level within industry-leading companies and will add to our already strong team. We are also pleased to welcome Rachel Stanislaus to our land sales team. Having previously specialised in viability, working with housing associations, Rachel will bring additional strengths to the KALMARS team.

Therefore, overall, we are optimistic that the latter half of 2021 will show improvements to the property market, in all its diverse aspects and be the foundation for a strong year in 2022.





Green shoots of recovery on the horizon after successful vaccine rollout

Occupiers reassess their requirements in line with new hybrid flexible workplace models

Testing times for occupiers

Demand for quality not cheap space

# SE1 CENTRAL OFFICE MARKET

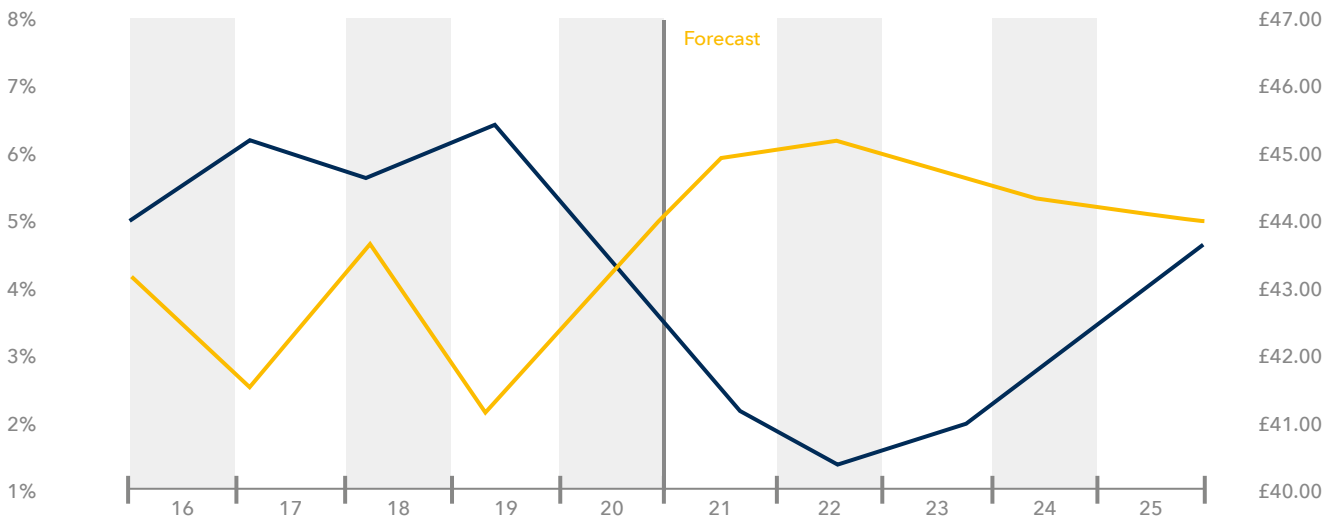
Following the successful vaccine roll out and gradual easing of restrictions, we are noticing an increase in enquiries and demand for offices is slowly starting to trickle back more noticeably at the smaller end of the market i.e sub 1,000 sq ft.

More people are looking to adopt a hybrid work model moving forward spending part of their time in the office and part time working from home resulting in an overall downsizing of occupier requirements. Prime rents have dipped and incentives have increased in order to attract tenants in an increasingly competitive market. Sales stock still remains resilient compared with lettings, which has helped support office values.

There is however still a high level of vacancy, which means rents and values will remain under pressure until this excess stock is taken up. We are finding that demand is for quality space that staff want to work in rather than being price sensitive.

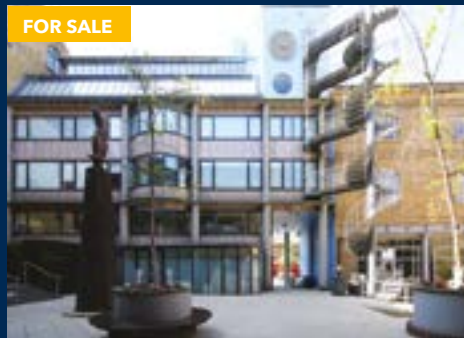
## Vacancy Rate

## Market Rent/SF



FOR SALE

**27 Shad Thames, SE1**  
7,064 sqft



FOR SALE

**5 Gainsford Street, SE1**  
9,203 sqft



TO LET

**The Pyramid Building, Queen Elizabeth Street, SE1**  
2,082 sqft

Increase in enquiries for small offices

Companies creating 'hub and spoke' model

Values dipped by around 20%

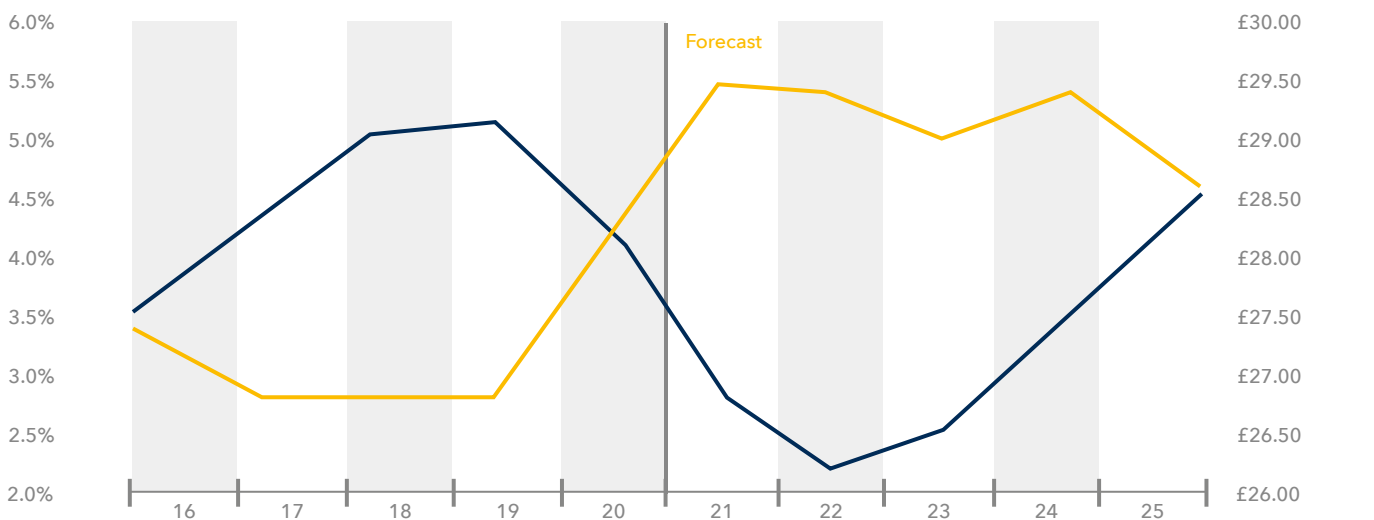
# DECENTRALISED OFFICE MARKET

Decentralised offices have taken a hit over the pandemic, however, there is a light at the end of the tunnel and, from Q1 onwards, there has been a steady increase in enquiries, especially for units around 1,000 sq. ft. Although attitudes have undoubtedly changed, research indicates that, on the whole, workers are more productive working from the

office than at home. With values dipping on average to around 20% from where they were mid 2019 space is more affordable and decentralised offices are set to benefit from companies looking to create a 'hub and spoke model' i.e. working from home co-ordinated from by a convenient office base.

## Vacancy Rate

## Market Rent/SF



UNDER OFFER

Unit 14, 248 Camberwell Road, SE5  
711-11,500 sqft



TO LET

Unit 17, 83 Crampton Street, SE17  
935 sqft



TO LET

27-29 South Lambeth Road, SW8  
1,275 sqft

Surge in enquiries since lockdown has been lifted

Nurseries and gyms active

Values are expected to stabilise

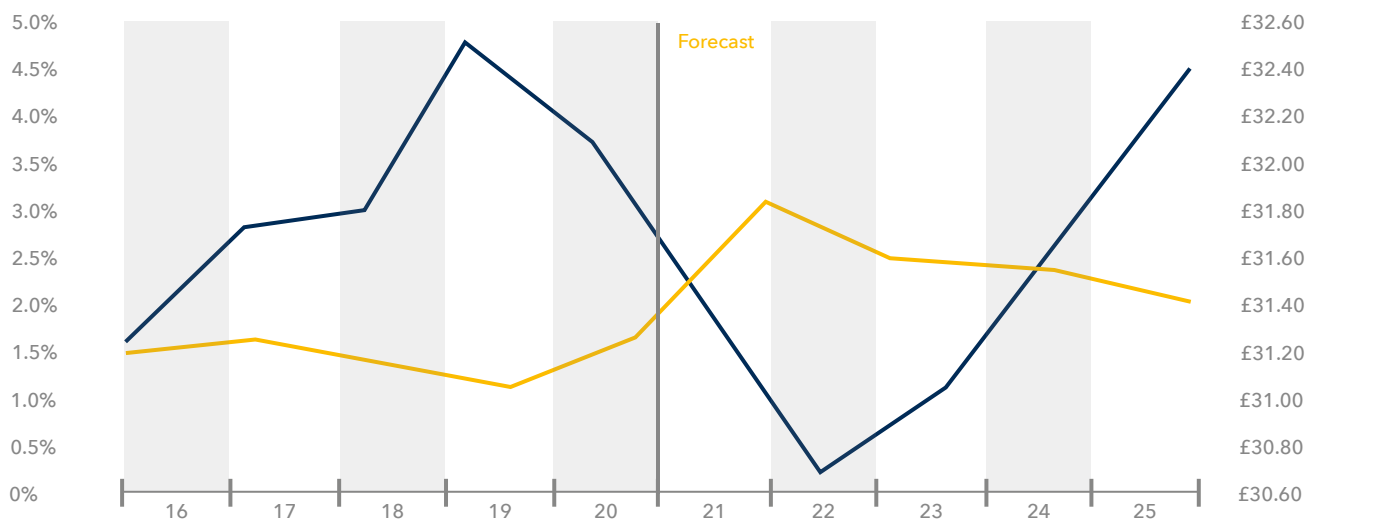
# RETAIL MARKET

Local shops continue to remain in demand as shoppers avoid big centres. This demand is from users that cannot be replaced by internet suppliers such as convenience stores, hairdressers, community cafes, health uses etc.

Nurseries and gyms are currently active in searching for new locations, particularly as they have benefitted from the flexibility of the new E- class system that came into effect at the end of Q2 2020. The graph below only has a range of £2 psf so exaggerates the level of movement which is under 6%.

## Vacancy Rate

## Market Rent/SF



UNDER OFFER



**Unit 3 Camberwell Passage, SE5**  
2,879 sqft

UNDER OFFER



**358 Old Kent Road, SE1**  
1,548 sqft

LET



**119 Dulwich Road, SE24**  
£17,106 pa



Slight increase in average rents

Vacancies continue to increase

Applicant numbers have grown

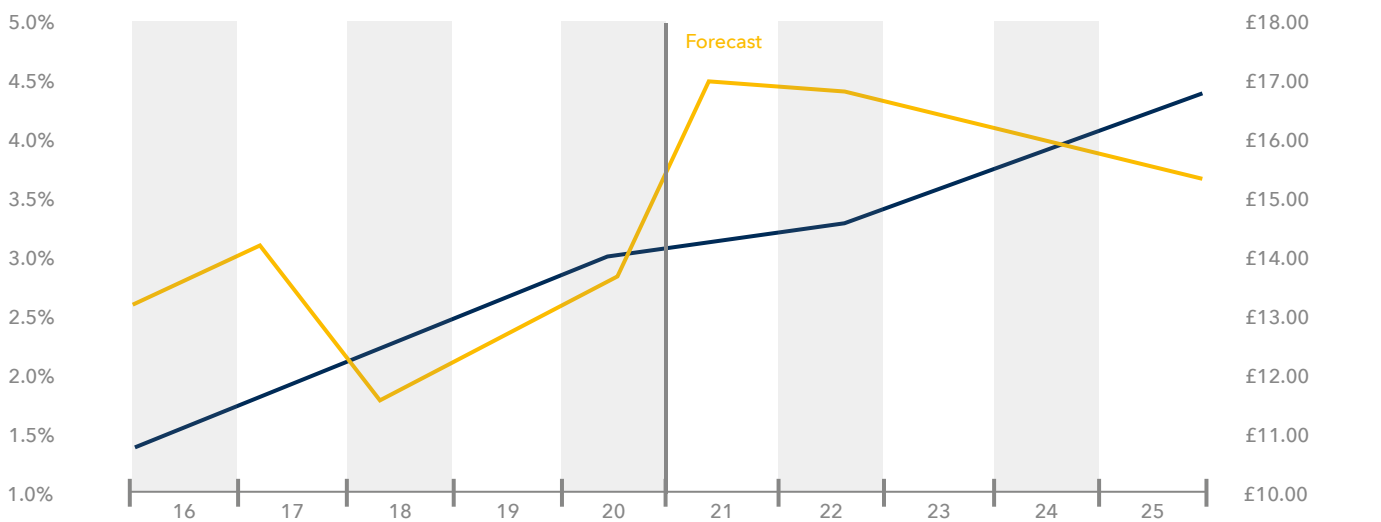
# INDUSTRIAL MARKET

Demand for industrial property saw rents across the south London market increase to an average of £15.55, which was up 5% on the previous quarter. The increase in asking rents, as well as the challenging economic situation, resulted in a 1.5% increase in vacancy year-on-year but supply is still tight.

Heading further into 2021, we expect to see a slight increase to the average rents as demand continues to grow, with vacancy levels beginning to drop back down as more lettings and sales are completed as confidence in the economy returns.

## Vacancy Rate

## Market Rent/SF



FOR SALE

**138-140 Nathan Way, London, SE28**  
36,669 sqft



TO LET

**206-210 Ilderton Road, London, SE15**  
4,259 sqft



TO LET

**Unit 3 Stockholm Road, London, SE16**  
31,269 sqft



Call **KALMARs** for incisive comments  
As the market returns  
We are never 'on mute'



Increased activity in the marketplace

Stamp duty incentive extended

95% mortgages re-introduced

# PRIVATE RESIDENTIAL SALES

House prices rose by 6.5% over the last 12 months, fuelled by

- Government incentives
- The longstanding shortage of property in London
- Many people having not been able to spend money on leisure and shopping have more disposable income than they had previously.

The important announcement within the housing industry was a much-anticipated extension to the Stamp Duty Land Tax holiday. Buyers receive an incentive to complete a purchase and pay zero SDLT up to £500,000 until June 30th, while purchases up to £250,000 will pay zero SDLT until the end of September, when the thresholds return to the regular levels prior to the pandemic. This will help aid

buyers struggling to hit the previous March deadline but is also likely to create a similar wave of interest for those hoping to meet the new June and September cut-offs. Another big announcement was a scheme introduced for lenders offering 95% mortgages. The scheme may help to benefit a wider marketplace but is unlikely to dramatically affect property pricing.

Activity levels increased after February as we witnessed a slow-moving start to 2021 but the number of sales agreed and instructions to sell both rose and demand has been consistent, encouraging market price increase.

KALMARs are pleased to welcome David McGuiness to our team. David has a wealth of experience in sales having worked in leading companies for over 20 years



Canal Bridge



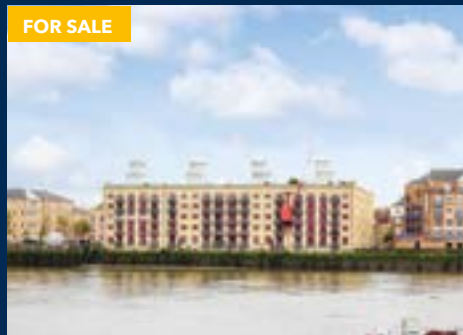
Locally born Charlie Chaplain returns

KALMARs love the area and engage in its rich heritage



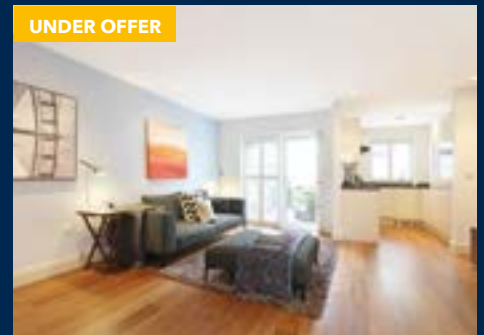
FOR SALE

**Blue Anchor Lane, Bermondsey, SE16**  
**£735,000**



FOR SALE

**Globe Wharf, Rotherhithe, SE16**  
**£1,000,000**



UNDER OFFER

**Oakley Place, London, SE1**  
**£600,000**

Average days on the rental market:  
17 days

Rental growth down by  
2.8% compared to  
1.3% a year ago

Average rental £1,577pcm

## RESIDENTIAL LETTINGS

The average number of days a letting property will be on the market is 17 (Zoopla report for London). Perhaps reflecting short term concerns about living in London, and a switch to buying, there has been a reduction in rents of approximately 2.8% year-on year. As business activity in London increases, it is likely that rents will increase in the latter part of the year.

New-build developments and modern refurbished apartments are in high demand due to lack of supply, but it is important to get the rental level correct to ensure any void period does not undermine the benefits of an increased rent.



Damilola March



The High Pavement

KALMARs love the area and engage in its rich heritage



TO LET

**Gedling Court, Jamaica Road, SE1**  
£1,400 pcm



TO LET

**Gordon Road, SE15**  
£2,400 pcm



TO LET

**The Grand, Grange Road, SE1**  
£2,850 pcm

Costly ground rents are now prohibited

Potential ending of government incentives resulted in a flurry of activity

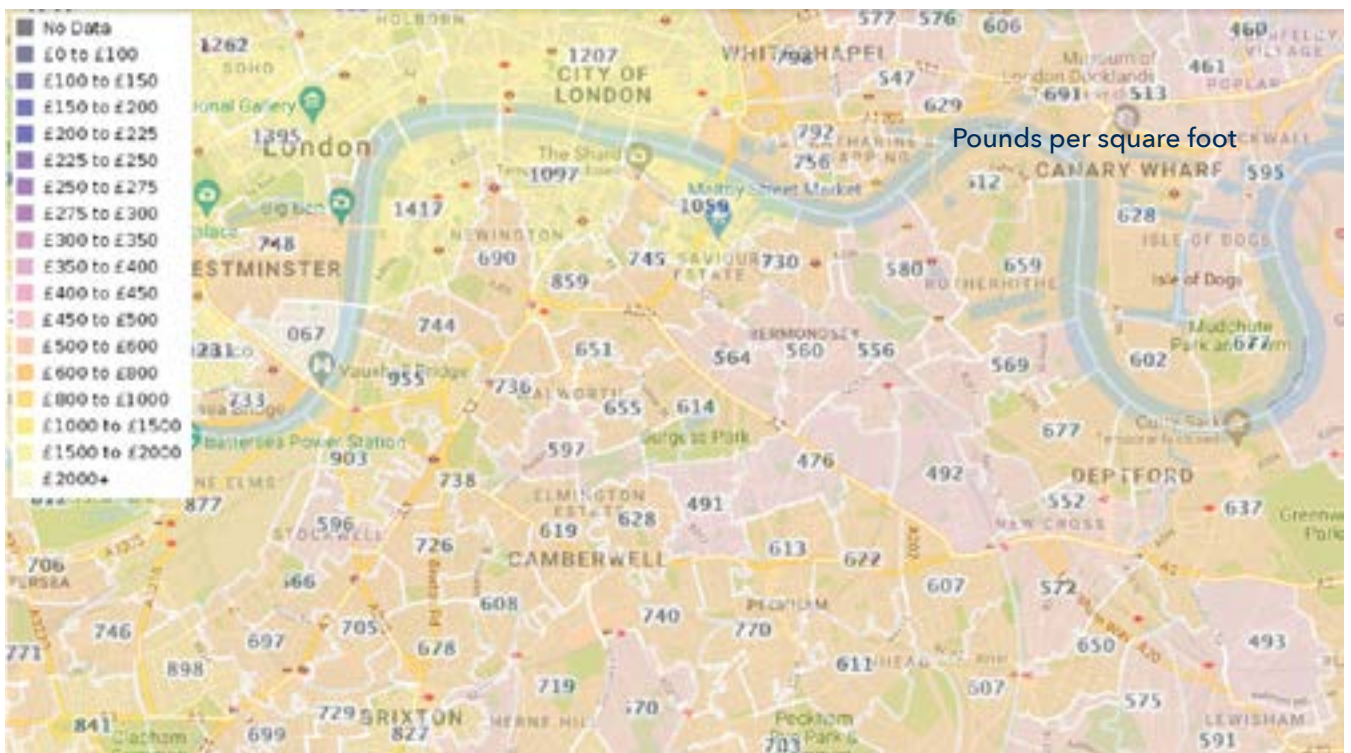
Innovative schemes are particularly popular

6.5% growth in house prices

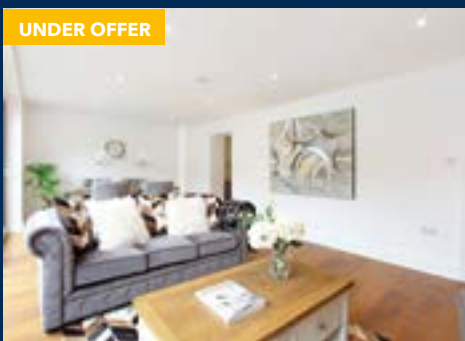
# NEW HOMES

Q1 has been very active with buyers making the most of the current Help to Buy (HTB) packages and the stamp duty incentives being extended. Buyers are currently attracted by properties with outside/green space and

an extra bedroom that can be turned into an office. Packages are now available online to turn your garage to do an instant office. Also buildings that have a high level of hygiene with contactless facilities are popular.



Figures produced by Nimbis



**UNDER OFFER**

**Flat 2, 2 Woods Road, SE15**  
**£500,000**



**FOR SALE**

**Hawthorn, Hyde Vale, London, SE10**  
**£1,850,000**



**FOR SALE**

**Flat 21, Bombay Street, Bermondsey, SE16**  
**£700,000**

Finance remains available

Most sites going to competitive tender

KALMARs have over £50,000,000 exchanged or under offer

# SOUTH LONDON DEVELOPMENT MARKET

Due to the underlying strength of the residential market and finance being available, the market for land sales has maintained a reasonably good level of demand, albeit not at the heights that it was pre-pandemic. Three sites that KALMARs have been marketing recently have all gone to competitive tender and have received offers close to or in excess of the guide price. This has been helped by the extension of government support for both help to buy and the suspension of stamp duty. We are excited to be instructed on several major sites already, with others coming on stream shortly.

level of profits as private developers. The private rented sector has also been active with buyers such as Grey Star and Legal and General moving into this market, an area that our European counterparts have been ahead of us on for decades.

KALMARs are pleased to welcome Rachel Stanislaus to grow the already strong development team. Rachel joins us from Red Loft, specialists in the complexities of viability/feasibility.

Housing Associations and the student developers, remain very competitive buyers as they do not require the same

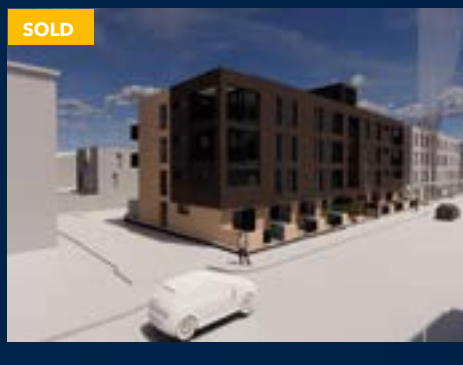


Figures provided by Halifax, April 2021



FOR SALE

**Burgess Park View, SE1**  
0.24 acres



SOLD

**Lynton Road, SE16**  
7,028 sqft



UNDER OFFER

**The Albion, Albion Street, SE16**  
6,447 sqft

# VACCINES: A SHOT IN THE ARM FOR THE ECONOMY?

London's economy is particularly well developed in terms of banking, IT and other service industries. These are all businesses that are well positioned to adapt relatively quickly to lockdown conditions. Last September, when the lockdown was eased, KALMARs experienced a rapid return of confidence.

Unfortunately, this was, of course, short lived as we suffered the second wave. Now, as the UK is leading in implementing the vaccine, to the envy of other European countries, it is well positioned for a bounce back in the economy with our particular strengths being: -

- Banks remain relatively liquid, due to the fiscal controls following the 2008 problems. There has been some tightening, but money is still available
- Many individuals also have accrued an exceptional amount of savings, during a year in which they have not been able to go out and spend money on material goods, holidays and other entertainment
- Foreign investors have been held back due to problems in visiting; zoom views are not sufficient for many overseas buyers to make the commitment required in buying a property

- Companies are starting to work out their long term strategy in terms of working from home. KALMARs have received a high level of demand from companies downsizing; this ranges from very small spaces to properties of a significant sizes
- General pent-up demand for material goods that has not been easy to facilitate, especially for those not comfortable with Amazon deliveries

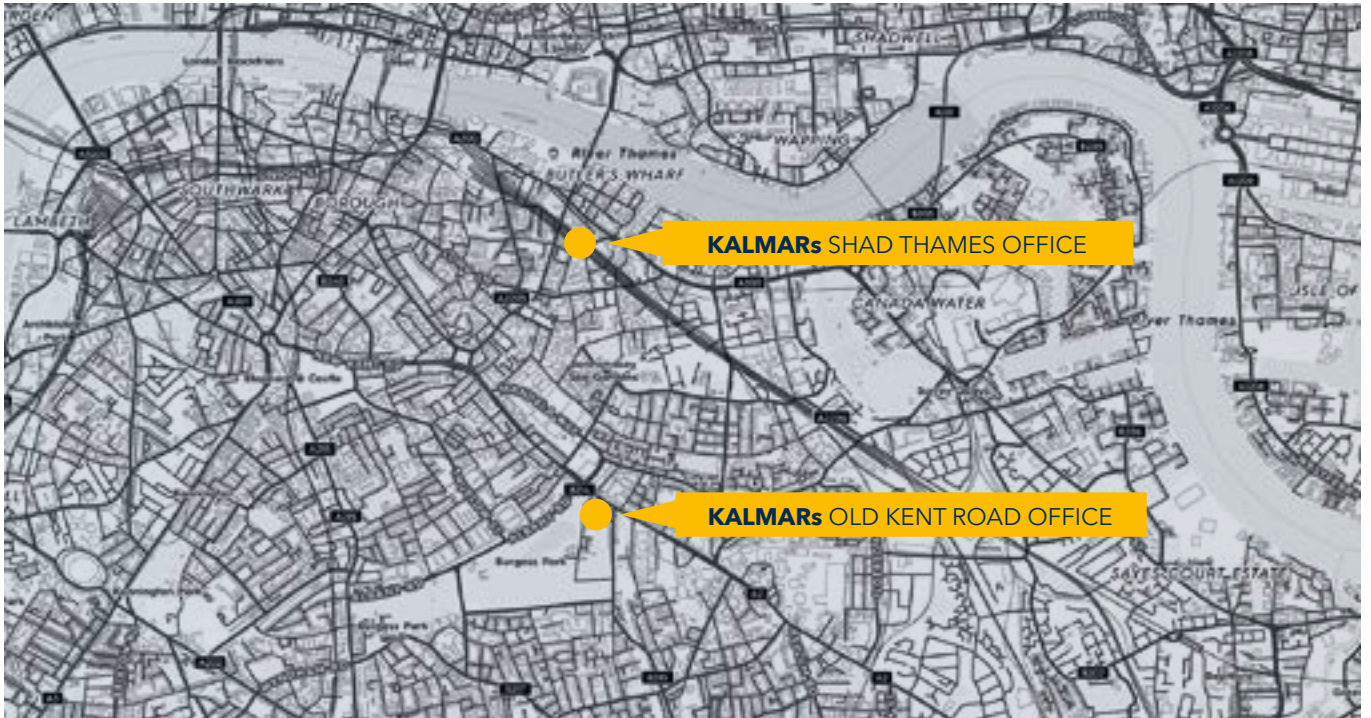
Although ,as always, it is difficult to read, KALMARs applicant numbers, especially for offices are up significantly. With the economy feeling better, confidence becomes self-fulfilling in that there may well be a bounce back in the latter half of 2021 leading to a significant recovery.







# WE ARE KALMARs



## OFFICE LOCATIONS

Jamaica Wharf, 2 Shad Thames, Tower Bridge, London, SE1 2YU

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## OPENING TIMES

Monday - Friday: 9am - 6.30pm

Saturday: 10am - 3pm

Sunday: Closed



KALMARS TEAM



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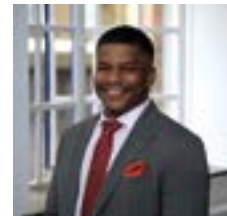
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# KALMARs

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