

KALMARs

SOUTH LONDON'S LEADING AGENTS

SUMMER

QUARTERLY MARKET REVIEW

2022

The background of the entire page is a photograph of industrial chimneys against a clear blue sky. The chimneys are dark and silhouetted against the sky, with some showing signs of wear. The sky is a gradient of blue, suggesting a clear day. The overall aesthetic is clean and professional.

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2022

SPRING/SUMMER QUARTER



Richard Kalmar
Managing Director

South London Property - What's the craic?

I suppose we are in the keenly awaited post-Covid world, no longer discussing the daily cases (FYI 6,000 today) so what's the main driver in property values? Inflation? Interest rates? Working from home? Covid concerns? No it is, as always, money availability and right now there is plenty around, hence demand is good.

- Inflation is bad news but it should calm, and meanwhile property is considered a safe haven.
- Interest rates are just 1%, yes, they are likely to increase but, even so, they are likely to remain low.
- Working from home at least Monday and Friday is the new norm, but offices now need to lure staff back by being spacious and attractive, for the 3 days they are in, so balancing out any vacancy.
- And Covid, well we just seem to have accepted it will be there and that we can deal with the worst effects without the cure killing the patient.

Overall south London property is doing OK and looks set to for the foreseeable future.

Our feature this quarter unravels the dark arts of Co-living v build to rent v student and hotels showing how these sectors with their similar requirements but fluctuating values are driving the market.



Co-living v Build to rent v Student v Hotel

UNRAVELED

Many conventional residential sites in London are now worth more for associated residential uses such as Purpose built student accommodation (PBSA), purpose-built Co-living, Hotel, Build to rent (BTR) or even housing association (HA). Values for these uses fluctuate widely and a clear understanding of the market is key to maximising the potential. This understanding includes the design, planning potential and values. Having dealt with numerous such sites KALMARs can advise on how to maximise value and have a wide selection of buyers.

These uses are now briefly considered.

PBSA - can generate high land values for sites with access to a local university, preferably with them supporting the application. Space can be arranged as cluster or individual rooms with shared facilities such as laundry and, sometimes, kitchens. Some councils are now requiring up to 35% affordable space.

Co-living - sometimes described as student plus, as it is similar space, often for young adults wanting to get their foot on the property ladder. Although not always popular with councils, it is with buyers who pay full prices hence, in turn, it is becoming increasingly popular with developers.

BTR - good quality apartments, with communal space to socialise, achieve rents up to 25% and has a high level of retention. As institutions start to recognise the value,



this will address the lack of decent rented accommodation in the UK compared with the rest of Europe.

Hotels/Aparthotels - have the advantage of not requiring affordable space but are generally limited to 3 month stays, so require more intensive management. Location is important especially for tourists and parking outside of transport hubs is required for the budget blue collar market. They can be a useful adjunct to place-making in big schemes.

HAs - have continued to be active buyers in place-making lower price bracket areas and, obviously, for the affordable space within residential developments. Issues include the problems of shared service charges and 'poor door' access and speed of the transaction.

With planning taking longer than ever, optimising the use class is crucial, as is securing the right buyers and ensuring they complete. KALMARs have unrivalled relationships across south London in all the above sectors and deliver, with over £80m of deals under negotiation in the first half of 2022. Contact us for more information on the above snapshot and to see how we can help you maximise your return.

We are also pleased to announce our newest land and development team member Nadine Warnakula - joining us with a considerable experience in agency and prop-tech.

South Bank demand makes a strong recovery

Attractive space is most popular

Applicant numbers significantly up

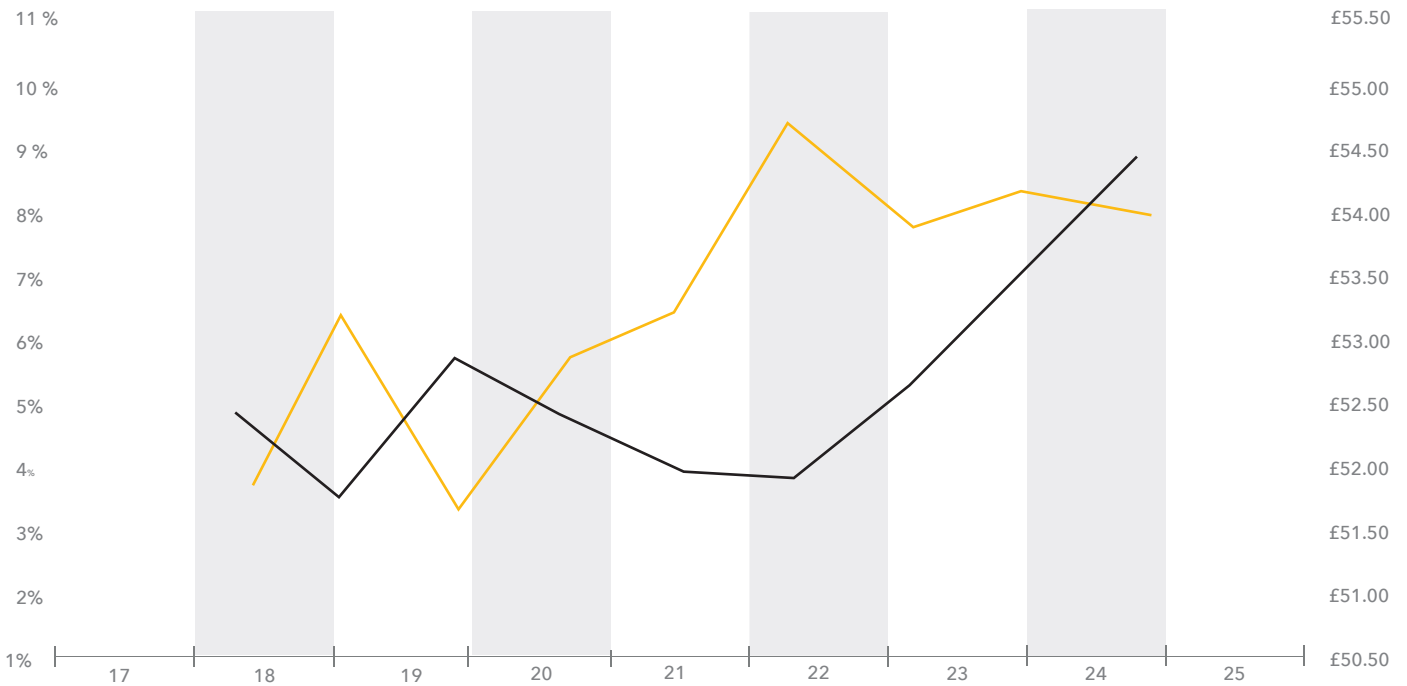
SE1 CENTRAL OFFICE MARKET

Take up continues to recover as more workers return to the office. Year-on-year take up is now four times higher than last year. Vacancy rates have peaked, and rents are again starting to rise, and are anticipated to reach pre-pandemic levels by the middle of next year. Our applicant numbers are also up, fuelling further growth which is likely to be consistent in use of take-up in the months to come.

The highest demand is still for either new or good quality space, encouraging staff back to work. There is close to 1 million sq ft of office space under construction, indicating growing confidence in the office sector. The vacancy rate is now 7.1% with the majority being existing second hand stock; the new pipeline will help provide more quality sustainable space in the locality.

Vacancy Rate

Market Rent/SF



FOR SALE
35 Westminster Bridge Road, SE1 - 2,418 SQ FT
RECENTLY REFURBISHED
For Sale £1.4m



TO LET
43 Curlew Street, SE1 - 3,601 SQ FT
NEWLY REFURBISHED
For Sale £45 psf



FOR SALE / TO LET
Newhams Yard, Tower Bridge Road, SE1
703 - 18,187 SQ FT (60% NOW PRE LET)
For Sale / To Let

Increase in demand for small offices

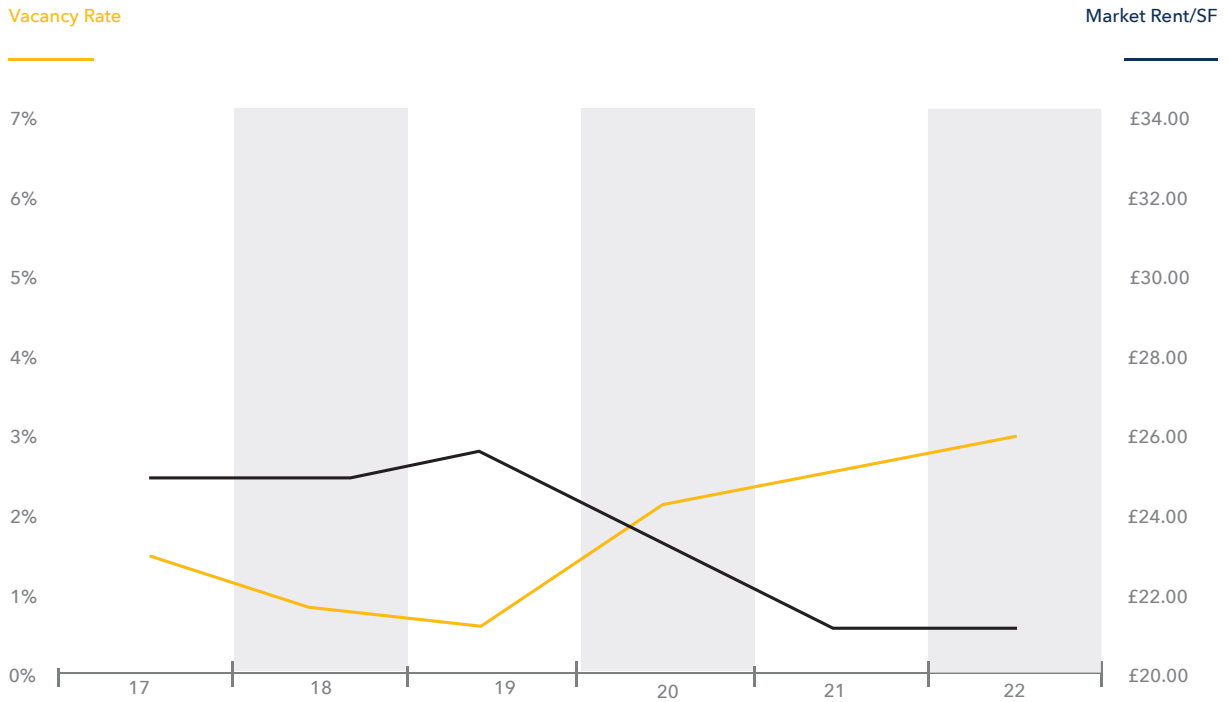
Preference for energy efficiency

Unoccupied units being swallowed up by retail

DECENTRALISED OFFICE MARKET

The appetite for offices around 1,000 sq ft has increased with energy-efficient character offices being especially sought after. Due to flexible working patterns, occupiers are setting up offices in a 'hot desking' fashion with an emphasis on technology for video calling.

Other sectors are taking advantage of empty offices for other uses within the flexible E classification- such as gyms, beauty salons, restaurants and coffee shops. For instance, we have just let a low ceiling basement of 6,448 sq ft near Tower Bridge at £19 psf for use by a box fit gym.



FOR SALE

12 Steedman Street, SE17 - 2,178 SQ FT
£850,000



FOR SALE / TO LET

38 Wellington Street, SE18 - 8,526 SQ FT
For Sale £2.5m / To Let £20psf



FOR SALE / TO LET

Admirals Way, E14 - 705 SQ FT
For Sale £425,000 / To Let £16,000

Vacancy rates up from previous quarter

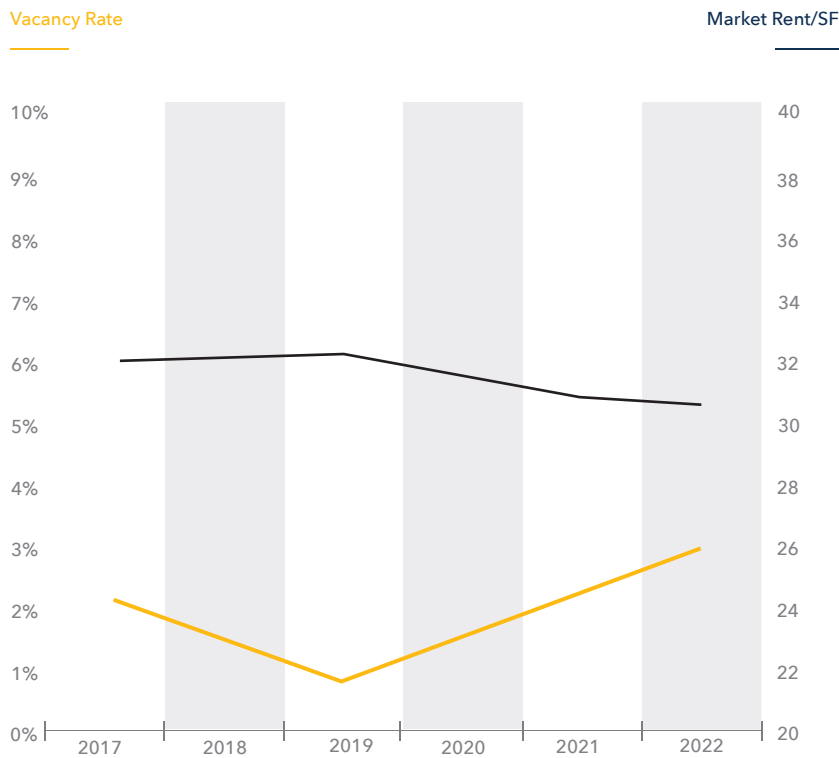
Strong demand from small retail operators plus gyms and nurseries

Hybrid business model adopted

RETAIL MARKET

Despite some negative forecasts, retail in south London appears strong with shops benefitting from footfalls returning closer to pre-pandemic levels and leisure operators taking advantage of new customers who now have flexible working lifestyles. Some of the stock on the market is due to the recent change whereby landlords can exercise their right to remove tenants who are not paying their rent, which due to the Coronavirus Act 2020 wasn't possible until March 2022.

Technology is having a positive impact on retail as operators are defining how to use a hybrid model, combining physical retail space with online shopping. These changes future proof the business especially in response to the current geopolitical situation, hikes in energy prices and fears of the emergence of new Covid-19 variants.



UNDER OFFER

28 Choumert Road, SE15 - 380 SQ FT
under offer



TO LET

82 - 84 Childers Street, SE8 - 2,495 - 5
£21.50 psf



FREEHOLD SALE

Tower Bridge Road, SE1
£1.85m

Rents continue to increase

Increase in short-term lettings

Applicant numbers have grown

INDUSTRIAL MARKET

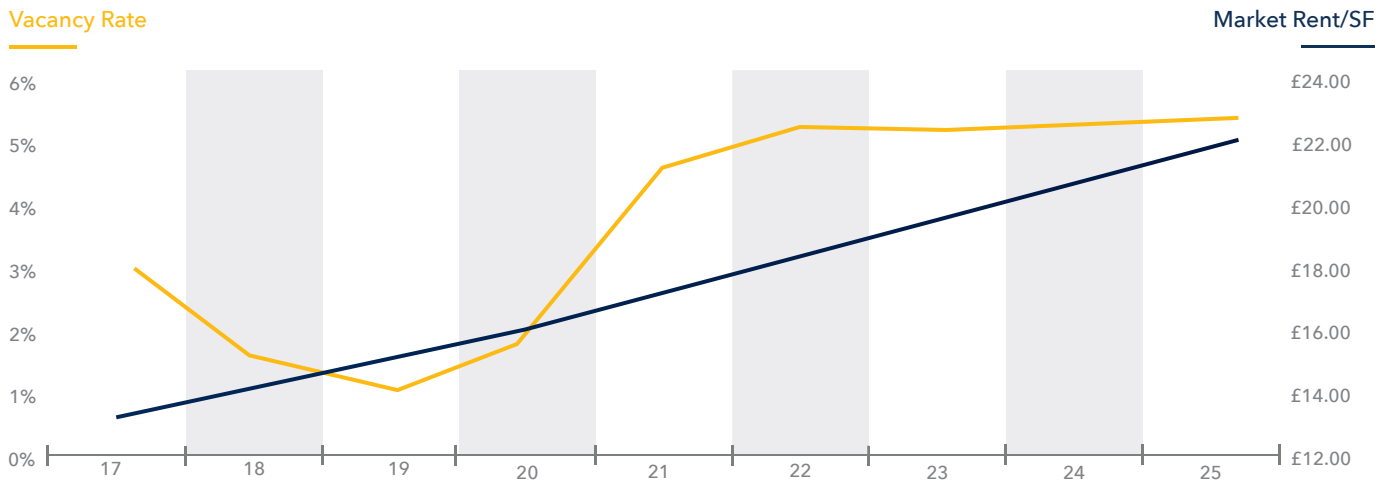
During Q1 of 2022 the industrial market continued to grow from strength to strength.

Demand for industrial lettings and sales remains as high as ever, whilst supply varies. The graph below shows vacancy levels are low at around 5% and have stabilised. Our day-to-day experience in the market indicates most of this is short-term availability awaiting redevelopment.

There are several new B1c (light industrial) use units being built beneath residential developments. KALMARs have several blocks under offer to studio operators and are advising many others as the marketing approach is important. All too often commercial space is forgotten about as the focus is just on the residential space, which misses a trick.

The graph below also shows that average rents in south London have increased by £1.48psf since the last quarter. Asking rents in south-east London are rising towards £30 psf, which is being exceeded in south-west London in areas such as Battersea. For example, KALMARs have just completed on a 4,000 sq ft letting in New Cross at £26 psf where an identical unit had struggled to get £19 psf 18 months ago.

We expected industrial rents to continue to steadily increase throughout the rest of the year, however, due to interest movements, industrial yields have calmed and even went up 0.25% last quarter, which may result in greater stability with buyers being slightly less bullish than they were during 2021 and Q1 of 2022.



TO LET

23 Pages Walk, SE1 - 4,639 SQ FT
£20 psf



FOR SALE

330 St James Road, SE1 - 4,051 SQ FT
£1,500,000



TO LET

Unit 1B Juno Way Industrial Estate, SE14
2,600 SQ FT
£27 psf





Demand exceeding supply

Prices still rising

Interest rates 1%

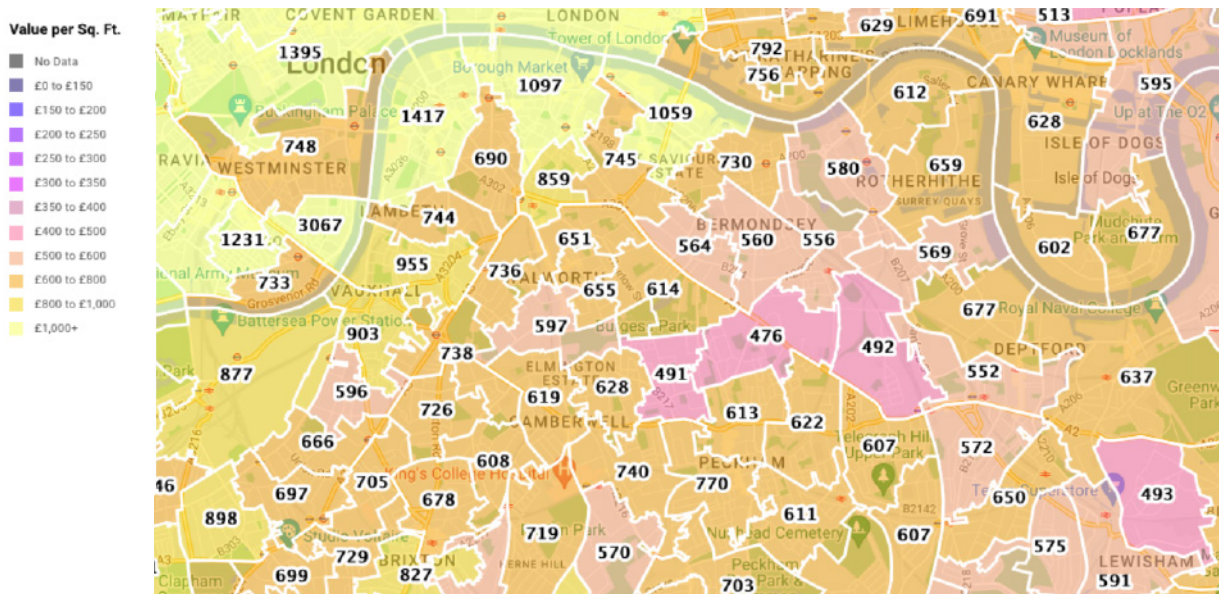
PRIVATE RESIDENTIAL SALES

Wage inflation in inner London is compensating for the price inflation and 0.9 increase in interest rates. However, price inflation is likely to rise to 10% this year, before falling next year, which is starting to have an effect and calming the rate of house price inflation to a more sustainable level.

The spectre of Covid is less prevalent and any trend for people moving out of London has abated. The working

from home model, however, is the new paradigm and that, along with families settling in inner London, has resulted in increased demand for houses in comparison with flats.

London continues to be the international magnet as a popular place to live, and the attraction to big tech and financial institutions is strong and likely to continue.



*Source: Nimbus



Maltings Place, SE1 - 395 SQ FT
£425,000



Scott Sufferance Wharf, SE1 - 800 SQ FT
£800,000



Tower View Apartments, E1W - 1,200 SQ FT
£1,500,000

London rents have jumped by 14 per cent in one year

The most "competitive market on record"

High demand with fewer rental properties available

RESIDENTIAL LETTINGS

London rents have jumped by 14 per cent in one year with property experts calling it the most "competitive market on record" (according to Rightmove.) London is still struggling with a severe shortage of supply caused by a reduction in properties coming onto the market and a surge back to the capital after the pandemic. If you are a landlord it is the perfect time to market your property with such a high demand and fewer properties available.



Last year KALMARs Residential let 24 apartments just within 2 weeks of marketing. With the current re-lets, KALMARs managed to get an increased rent of 30%.



TO LET

Dower Court, Silwood Street, SE16 - 3 Bedroom
£575 pw



TO LET

Meridian Court, East Lane, SE16 - 2 Bedroom
£550 pw



TO LET

Old Kent Road, SE1 - Studio
£288 pw

Increasing construction costs

Interest rate rise 0.9% to 1%

Strong demand for BTR, Student, Co-living and Industrial

SOUTH LONDON DEVELOPMENT MARKET

Planning

Planning application decisions remained relatively consistent throughout 2020-2021 with Southwark Council deciding a very high number of applications, but the average council has only granted about three applications a month which has resulted in very few consented sites being available. With the expiry of the old Help To Buy (HTB) we have seen very good demand for sites that have units falling within HTB.

The use classes that were being applied for, however, are likely to be dramatically impacted by Covid. We expect to see many more industrial applications, given the recent yield compression that this sector has experienced, whereas the number of office schemes has experienced a steady decline through Covid.

Construction

The number of new homes under construction across Q1 2022 is very strong but still not at pre-pandemic levels. With rising build costs there is likely to be a reduction in these numbers without any stimulus.

Over 20% of units under construction are Built To Rent and with recent rental growth we expect to see this percentage of the market grow.

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PLANNING

Planning permissions granted by south London boroughs from January 2020 to December 2021

*Source: District Matters (PS1/PS2) email: planning.statistics@levellingup.gov.uk

Permissions granted by south London boroughs	Jan - March 2020	April - June 2020	July - Sept 2020	Oct - Dec 2020	Jan - March 2021	April - June 2021	July - Sept 2021	Oct - Dec 2021	24 months to end of Dec 2021
Southwark	10	14	19	16	23	13	19	22	133
Wandsworth	10	4	16	16	10	16	9	12	93
Croydon	11	7	12	13	18	10	6	11	88
Lambeth	9	3	10	15	11	10	15	14	87
Greenwich	7	7	9	9	6	7	7	12	64
Bromley	6	6	6	7	7	12	5	5	54
Merton	9	5	3	9	8	8	5	4	51
Bexley	9	5	10	2	4	1	6	12	48
Lewisham	3	4	7	6	3	8	7	6	45
AVERAGE	8	6	10	10	10	8	8	11	74

<https://www.gov.uk/government/statistical-data-sets/live-tables-on-planning-application-statistics#planning-performance-tables>



SOLD

79 - 161 Ilderton Road, SE16
1.33 acres



SOLD

Silwood Street, SE16
1 acre



FOR SALE

St John's Woodland, Grove Park, SE5
1.45 acres
£5.5m

Help to Buy remains a significant aid to selling new homes for top money

Outside space is popular

Buyers seek higher specification

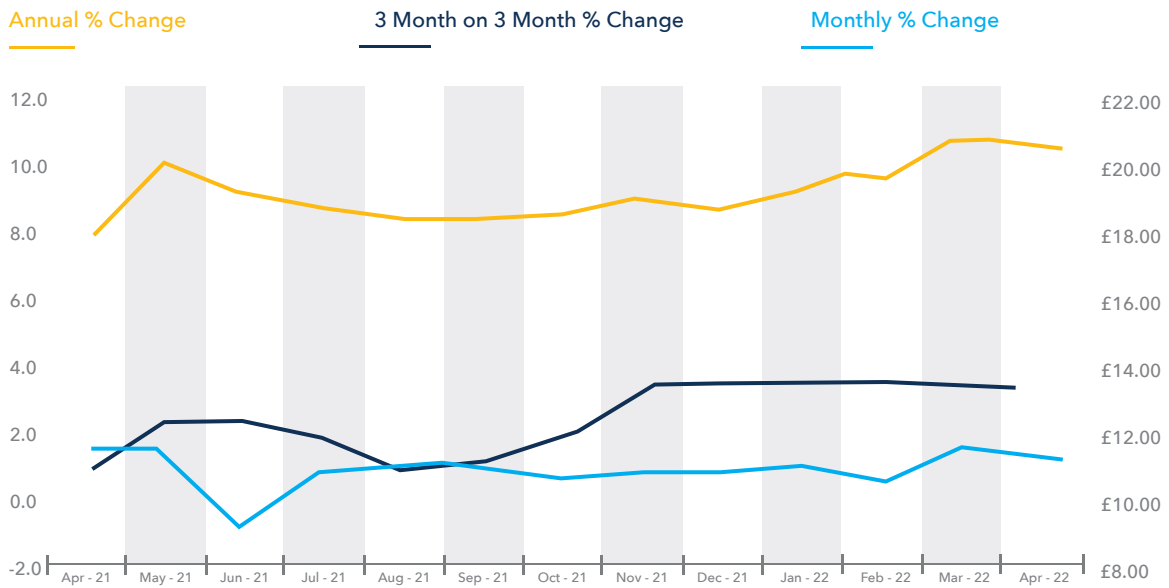
NEW HOMES

New home sales have benefitted from a pent-up demand from the last two years last quarter. Sales have been agreed on units which were previously sticking. This is in part due to a return to London and in part to more competitive pricing.

We have seen more buyers coming to viewings prepared to offer with finance in place and lawyers ready. This is indicative of a buyer who acknowledges it's a hot market.

Developers who have been holding out for top money have had to make price corrections and sales have followed.

HALIFAX HOUSE PRICE INDEX



*Source - Halifax, April 2022



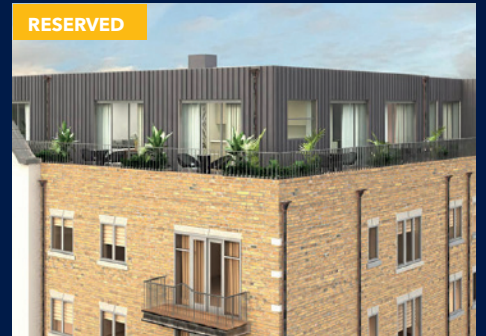
FOR SALE

Hyde Vale, SE10 - 3 Remaining
From £825,000



FOR SALE

Southwark Park Road, SE16 - HTB Scheme
From £395,000



RESERVED

St Andrews House, SE16 - All Reserved
From £600,000





WE ARE KALMARs



OFFICE LOCATIONS

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OPENING TIMES

Monday - Friday: 9am - 6.30pm

Saturday: 10am - 3pm

Sunday: Closed

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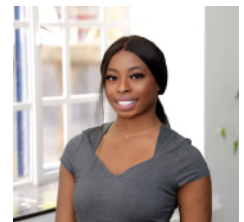
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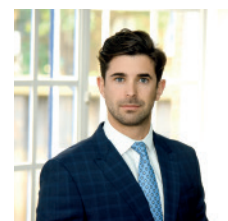
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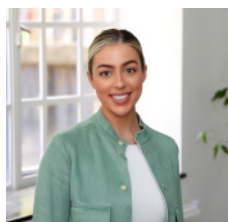
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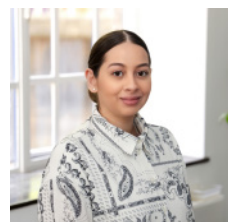
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