

KALMARs

SOUTH LONDON'S LEADING AGENTS

Marketing Comments and Recommendations

21-57 Willow Way,
London, SE26 9AR

Produced by KALMARs
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Contents:

1. INTRODUCTION.....	page 4
2. LOCATION	page 4
3. DESCRIPTION	page 6
4. TENURE	Page 11
5. USE/PLANNING	Page 11
6. TERMS.....	Page 11
7. DEMAND/SUPPLY.....	Page 12
8. MARKETING.....	Page 13
9. COSTS.....	Page 15
10. KALMARs	Page 16
11. EXCLUSIONS	Page 16

21-57 Willow Way, London, SE26 9AR



Aerial view from the east

APPENDICES

A - Industrial properties for sale

B - Industrial properties to let

C - Industrial properties sold

D - Industrial properties let

E - Examples of CGIs

1. INTRODUCTION

We are instructed by Kitewood Estates Limited ('Kitewood') to comment on their proposed redevelopment of a site, currently comprising disjointed poor-quality buildings which appear to be used for warehousing, storage, office space, light industrial (drinks machine repairs / servicing) and motor vehicle repairs at Willow Way, London, SE26 9AR, referred to below as "the property". The proposal is for a new mixed-use development which is designed around the new industrial element located on the ground and mezzanine floors.

This report gives background information on the location, existing use, the proposals, demand, supply, values and general marketing recommendations.

2. LOCATION

The location and context are described using the following headings with particular reference to the proposed industrial use.

2.1 Neighbouring

2.2 Local

2.3 Regional

2.4 Transport

2.5 Suitability of the location for industrial use

The site forms a part of a larger emerging master plan proposed to holistically transform various rundown older style commercial buildings and yards located around Willow Way.

2.1 Neighbouring

The adjoining properties are described in a clockwise direction starting to the north where there is a four-storey residential block of flats with car park adjoining. To the east of which is an eight-storey block of flats and gardens. To the east is the William Wood House care home most of which fronts onto Sydenham Park which principally comprises grand Victorian four storey houses. To the southwest is Willow Business Park and generally to the west there is a parcel of neglected open land owned by the local authority. To the south, west and northwest there are more industrial buildings and a car park.

2.2 Local

Surrounding this small commercial pocket, the area principally comprises residential properties, with the exception of some shops fronting Dartmouth Road and Kirkdale, and there is a large school, Sydenham High, to the north.

2.3 Regional

This part of inner London, situated 5.5 miles south of central London, is principally a high-density residential area developed from the Victorian period onwards, and having a rich diversity of age groups and ethnic mixes. As such it has a large catchment area of south London, which is home to approximately 4 million people and 165,000 businesses.

2.4 Transport

The location has a PTAL rating of 4, meaning it has good transport with many buses passing along nearby Kirkdale and Dartmouth Road. It is 4 minutes' drive to the South Circular Road, but in common with most London roads, the system suffers from congestion. Direct distances to rail transport are as follows: -

	miles	min walk
Sydenham station	0.5	10
Forest Hill station	0.6	13

There are no tube stations nearby, Brixton being the nearest which is 3.8 miles away.

2.5 Suitability of the location for industrial use

Most of the older style heavy industrial uses have gone from the area, principally due to their requirement for better lorry access, greater requirement for low value land including parking, and the problems they create in a residential area due to pollution. They have been, and are continuing to be, replaced by lighter industrial users who can co-locate with residential occupiers, and for which there is good demand due to its central position and large catchment area. This area is simply no longer attractive to heavier industrial occupiers. Light industry users are less likely to disturb neighbours and do not rely on large lorry deliveries. Unlike office use, they also do not need to be very close to stations as staff expectations are less demanding and the image does not require a central business district. They are therefore attracted to this area, as they can co-locate with residential uses. Demand is considered further under point 6.

3. DESCRIPTION

The current property, the proposed development and the suitability of the development are described using the following headings with particular reference to the proposed industrial use.

3.1 Existing build

3.2 Proposed development overall

3.3 Proposed units

3.4 Sizes

3.5 Specification

3.6 Suitability of the proposed commercial space for industrial use

3.1 Existing buildings

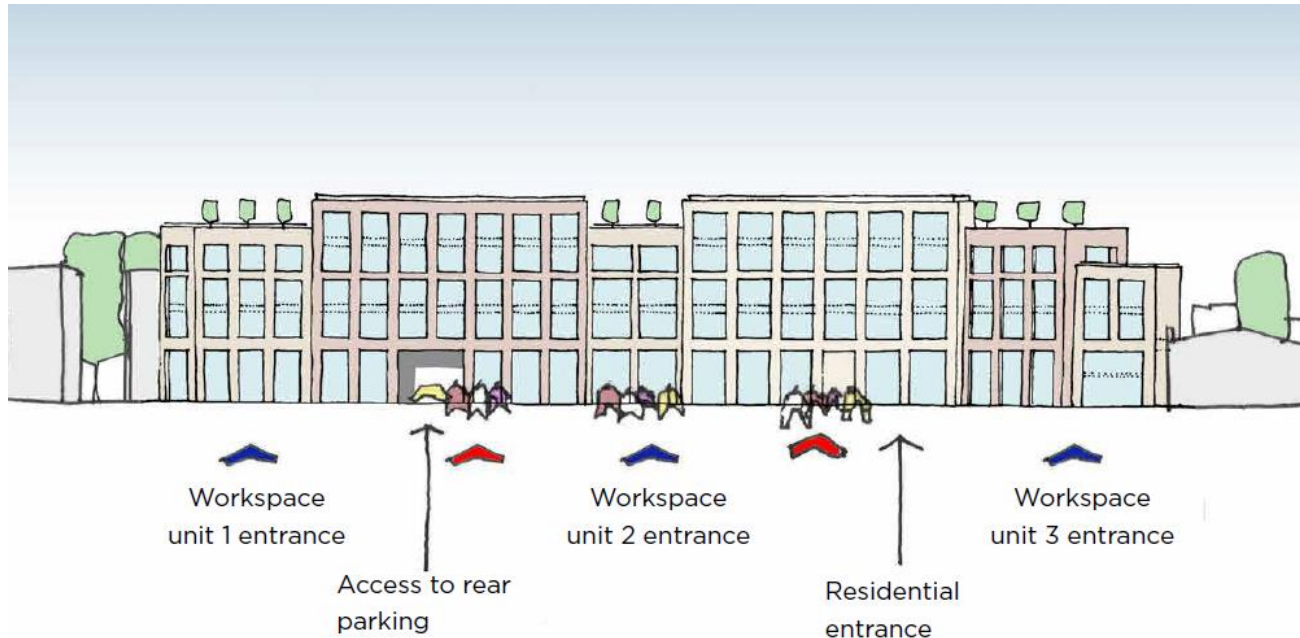


Photograph of existing frontage looking south

The land is level, of an irregular shape, which can be roughly described as a triangle. The current properties have not been designed or constructed in a coordinated style and generally comprise poor quality older style industrial buildings, which appear to date from the latter part of the last century and have no attractive character. These are partly single storey with what may be flats on a part first floor. Behind the buildings there is a metalled yard used for storing containers. The garage use generates a lot of on street parking due to vehicles waiting to be repaired / serviced. But the main source of on-street parking is actually down to Willow Way not being controlled or double yellowed, as a result the road is relatively narrow making it difficult for two vehicles to pass.

3.2 Proposed development overall

This is anticipated to be the first phase of a comprehensive redevelopment of various sites that front Willow Way and currently comprise older style industrial buildings.



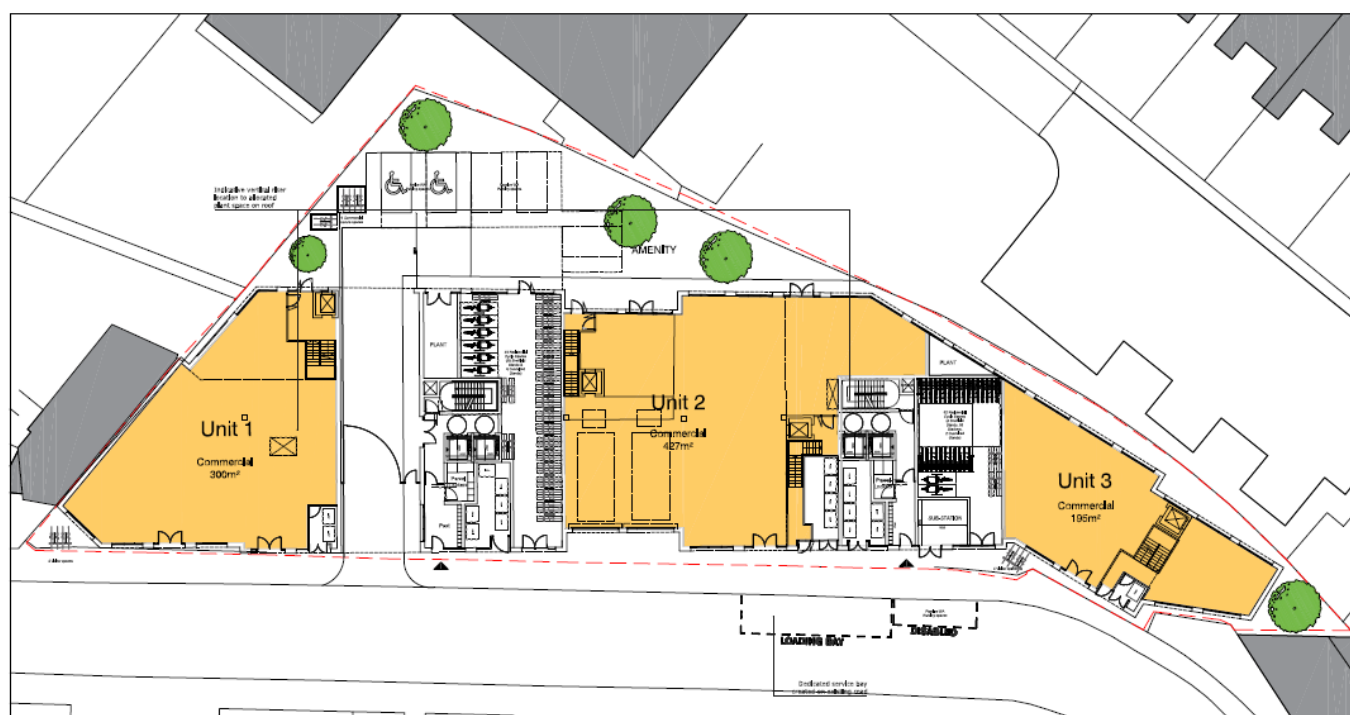
The development of this property is intended to be a commercially led mixed-use scheme, maximising the use of the site with high quality design producing good working space. This differs from many residential led mixed-use schemes, which have inferior quality commercial space, as they have been given lower priority and are designed to fit in with the residential space above.

The space is arranged as 3 units comprising a total of 1,401 sq m (15,101 sq ft) which, due to the nature of the site, have differing shapes to best utilise the space. All units front the road and have their own independent access way. Loading is provided via a dedicated centrally placed loading bay designed to service up to 7.5 tonne lorries, which we assume will be controlled with appropriate street lines. However, the introduction of the double yellow lines along Willow Way would accommodate additional service vehicles associated with the Appeal Site and the wider Masterplan that would be afforded the opportunity to load/unload for a period of up to 40 minutes directly from the carriageway.

If required, a second on street loading bay could be created and this could be secured through a Traffic Regulation Order (TRO) process, post planning.

We are not certain whether the proposals will alter Willow Way to limit the circulation to be one way. If so, with yellow lines it should improve traffic flow and the current cluttered appearance of the street.

Above the commercial space, with independent access, there are proposed to be 60 residential flats over 4 floors.



3.3 Proposed units

Unit 1 forms a stellated triangle, the front and majority of the space having 6-metre ceiling height with only one column and two double doors providing good quality space for an industrial user. To the rear is a small mezzanine area providing useful backup space. The specification will include a riser through the building, which will be of significant benefit to many businesses such as food production.

Unit 2 is approximately rectangular in shape with a smaller rectangle area adjoining to the rear. The majority of the space is double height with 6-metre ceilings. The additional rectangular area includes a useful mezzanine level, both levels having between 3- and 4-metre ceiling height.

Unit 3 again has double height in the majority of the space, with an adjoining mezzanine area which has an irregular quadrilateral shape. There is a core with a lift and stairs within the unit..

3.4 Sizes

The following sizes are proposed, which we assume are calculated on a gross internal basis.

UNIT	GROUND		MEZZANINE		TOTAL	
	SQ M	SQ FT	SQ M	SQ FT	SQ M	SQ FT
1	300	3,229	64	689	364	3,918
2	427	4,596	366	3,940	793	8,547
3	195	2,099	49	527	244	2,626
TOTAL	922	9,924	479	5,156	1,401	15,080

The shape of the units allows limited division to create smaller units especially in unit 3.

The land comprises a total of 24,100 sq ft, 0.55 acres or 2,239 (sq m).

3.5 Specification



We understand that the units are to be finished to shell condition, which is the standard practice for industrial units, as it is difficult to anticipate the finishes required. They will include windows to the street, which many developers do not budget for and is a cost tenants are not happy to pay. The loading doors shown can be either double doors, roller/concertina or other designs to suit requirements and the appearance of the façade. There should be provision for tenants to fit signage, roller shutters and alarms to suit their own security requirements whilst looking aesthetically consistent. Kitewood propose to fit lifts into each unit, greatly increasing the opportunity to use the first floor and to comply with DDA requirements. We recommend floor loading of at least 25 kN/m²

on ground floor and 15 kN/m² on the mezzanine level. There should also be an industrial grade supply of 3 phase electricity and fast broadband supply capped off to a service point. Drainage should be sufficient for food and drink production with interceptors, power floated and sealed concrete floors and ample points to access without having to dig up the floor and wall finishes suitable for food or dust free high-tech use.

We understand that the design will incorporate a high standard of energy conservation treatment and sustainability. This has become increasingly important, particularly to purchasers. Currently buildings are required to have an Energy Performance Certificate standard (EPC) of E, which is likely to increase up to potentially B by 2030. Many older buildings do not have this. In addition to business owner's social considerations, this has a significant bearing on energy costs and the acceptability of the units to funders. The general building will be going for a BREAAAM Very Good standard, which is suitable to most occupiers' requirements but Kitewood are seeking to improve on this if possible during the detailed design. There is unlikely to be gas in the building, which will be a disadvantage to some potential catering companies but increasingly ways around this are being incorporated into the companies' working strategies. Secure and open bike parking will be provided on site dedicated to the commercial units.

3.6 Suitability of the space for light industrial

These units are very attractive to light industrial occupiers for the following reasons:

- The great advantage of these units, over many other commercial spaces under residential, is the ceiling height of 6 metres and relatively column free space. This will be very suitable for many businesses, particularly purchasers who want flexibility, not only for their own use but for potential occupiers in the future. Examples include storage, food and drink production and photographers.
- The loading doors opening directly on to the street provides self-contained units with convenient access.
- The new high-quality façade will provide a more prestigious image for businesses than most other available properties which are likely to have an older style.
- The energy efficient specification will save money, meet future regulations and provide a positive image advantage of the units that are likely to attract tenants/purchasers. The lift, bike parking and disabled toilets are suitable for conscientious companies, and there do not appear to be any equal opportunity issues. They are particularly suitable to local companies, within a 15 minutes' walk, many of which are likely to be from diverse ethnic background.

4. TENURE

We assume the ultimate aim is to sell these properties, this can either be done by letting and selling the investment or by direct sale of individual units. Offering them on both bases provides maximum flexibility and demand. Given the acute lack of supply of properties for sale, as outlined in point 7 below, there is a strong likelihood that sales will be popular. Buyers are also more likely to undertake extensive and consequently expensive fit-out works.

If they are let, we recommend offering 10-year full repairing and insuring leases with five-yearly rent reviews and considering break clauses on their merit, but ultimately keeping the availability as flexible as possible. If sold to an occupier, then leases should be for a minimum of 125 years on peppercorn ground rents. The user clauses should be as flexible as possible whilst protecting neighbours with no nuisance clauses. Service charges should be kept to a minimum.

5. USE/PLANNING

We understand the planning permission being considered is sought for for Class E (G) (I)(II)(III), the former B1a office, B1b research and development and B1c light industrial respectively. From a marketing perspective the broader the category within Class E the better. Typical users within this category are considered below under demand point 7.

6. TERMS

As set out in the attached Appendices A, B, C and D, values are as follows:

Table of Asking and Achieved rents and prices.

ASKING RENTS £PSF	ACHIEVED RENTS £PSF	ASKING PRICES £PSF	ACHIEVED PRICES £PSF
17	13	228	137

Sample taken within about 3 miles (28 sq miles) and the achieved figures over the last 3 years

There is great disparity in sales values as there is such a little sample and some of the sales are for redevelopment. Therefore, the sales values should not be relied on to be repeated here.

Given the better than normal specification of the property, i.e. being new, with high ceiling height and modern specifications, we anticipate that higher levels will be achieved than most of the older available or disposed of space listed.

There is very little evidence of new levels as the little space that has been built generally has a poorer specification than the proposed units. The only exception we can find are two independent developments by Bloom Properties, one being in Brixton where they are quoting £45psf and another one in Greenwich where they are equating to £35psf.

7. DEMAND/SUPPLY

Demand for industrial space in south London has been good over the last few years, whereas supply is limited.

7.1 Supply

Within the 28 square miles that we have surveyed there is only 165,054 sq ft available and of that there are only 5 properties for sale. Virtually none of the space surveyed is new or of particularly good quality, which the property would provide.

7.2 Demand

Take-up over the last 3 years has been:

YEAR	SQ FT TAKEN
2021	74,376
2022	74,218
2023	4,917 so far recorded

We anticipate the demand is likely to come from a variety of uses including the following categories:-

- Food production
- Creative craftsman space
- Office services
- Artistic
- Specialist building services
- High-tech

Case history

One company alone that we deal with, Artistic Spaces (<https://artistic-spaces.co.uk/>) which originally set up as artist studios but now provides space for a much broader range of creative tenants, have experienced the following space and demand:

	SIZE SQ FT	DESCRIPTION	TIMING
Wharf Street, Deptford, SE8 (just in Greenwich borough);	23,000	52 units 70% of the 52 units are already let for creative arts use	Acquired October 2022 fitted out principally by February 2023, not all yet finished,
Juno Way, SE14 - multi-floor industrial	27,000	100% let	Over a number of years, the space has consistently been full
Latona Road (Southwark)	25,000	95% let	The space has consistently been full over a number of years
Former Annerley Bowls Club, Annerley Road (Bromley)	15,000	Recently acquired 80% let	October 22 was finished and by end of February 27 out of 42 units were let
Action House, Sandgate Street, SE15	12,000	100% let	The space has consistently been full over a number of years
Silwood Street, SE16 (Lewisham). They are in the process of acquiring the building	16,000	New commercial space under residential	Divided between ground and first floor - U/O halfway through construction

Whilst these properties are generally capable of division into smaller units, they do not provide the excellent headroom proposed in the property, which is likely to compensate in terms of size for the other units.

In summary, we anticipate there will be a good demand for these units given the loading, ceiling heights and lack of supply of quality space in the south London area.

8. MARKETING

8.1 STRATEGY

A detailed marketing strategy is proposed, including the following priorities:

- Focusing on local companies and businesses;

- Covering a broad range of occupiers including larger companies focusing on this area who are able to plan in advance; and,
- If all the properties have not been disposed of by completion, a refreshed relaunch should be carried out using real photographs etc.

8.2 DEMAND FOCUS

The main demand area are outlined in point 7 above, including:

- During the early phases, the focus will be on local businesses, particularly light industrial companies including craft food and drink producers
- In parallel, there will be a focus on the larger potential regional or national companies including Food and Beverage (F&B) space for bigger brewers and restaurant chains.
- Local artist and creative groups.

A wide variety of other users that one cannot predict at the moment yet exist in the wider area that this property is well placed to serve. Strong branding suitable for the target market should be considered at an early stage.

8.3 BROCHURE

A good quality brochure, specifically focused on the commercial space, should be produced working with the developer's own designers or using independent professionals as appropriate. The design should be coordinated with any other marketing of the development and the comprehensive developments around Willow Way.

This should be available principally in electronic format, but also hard copies should be printed to accompany viewings and as a more durable means to communicate the availability with greater longevity. This is likely to cost around £3,000.

Good quality CGIs should be produced, again focusing on the commercial appeal. Examples of these are attached as Appendix E. These are likely to cost around £2,000.

8.4 DISTRIBUTION

Targeted businesses should be personally called or sent details. If required in the third phase, mass distribution should be undertaken to an approximate 5-mile radius including all industrial, occupiers. This is likely to cost around £2,000.

8.5 ADVERTISING

Conventional print advertising is not generally producing a sufficient response for us to recommend as being cost effective. However, should the units be sold, then a quarter page advert in the EG is recommended. This is likely to cost around £1,200 plus design so £1,500 in total.

8.6 SOCIAL MEDIA

The availability should be promoted actively through social media including LinkedIn and Twitter and any other platforms that emerge during the campaign.

8.7 INTERNET

The availability of the property should appear on the marketing agent's website together with collective portals such as CoStar, Rightmove and Zoopla.

LoopNet are the public section of CoStar and are doing a feature that promotes specific properties, it is quite expensive at £1,000 pcm with a minimum of 6 months, i.e. £6,000, but it does get a lot more hits, we had 63,000 on one. We are happy to advise further if of interest.

8.8 BOARDS

A prominent board or banner should be attached to the frontage with a CGI on it in a style sympathetic to any other marketing material This is a likely cost of around £1,000.

8.9 OTHER

Other mediums that are available include open days and they should be considered on their merits at an appropriate time.

9. COSTS

The agents should pay normal out of pocket expenses, but the general marketing costs should be as follows: -

Brochure	£3,000
CGIs	£2,000
Distribution	£2,000

EG advert	£1,500
LoopNet	£6,000
<u>Boards</u>	<u>£1,000</u>
TOTAL	£16,500

10. KALMARs

This report has been written by Richard Kalmar who has 46 years' experience as a commercial estate agent. He is an honorary member of the Chartered Surveyors livery company; chairs a group local to where he lives in south London, in Rotherhithe; lived in Bromley for 14 years; founded the South London Industrial and Commercial Agents club in 1995; ran Southwark Chamber of Commerce for 6 years; has been a member of the Industrial Agents Society for 45 years, is a member of the Residential Agents Development Society; and is a jury member of a Court Leet. He is managing director of KALMARs Commercial and chairman of KALMARs Residential estate agents; the two companies employ 16 staff.

KALMARs have been trading for 55 years, originally as industrial agents, and have unrivalled experience in dealing with commercial property in the area and are the only agents in south London with specialist industrial and retail departments.

We have two offices in south London, which gives us a comprehensive understanding of the market in this area.

If instructed, the retail and industrial will respectively be dealt with by Piers Hanifan, the head of our industrial department and his support team.

11. EXCLUSIONS

None of the information given in this report is intended as a survey or a valuation. It is given as a general guide and is not intended to be relied on for financial purposes.

KALMARs

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You have not requested a formal valuation and the information contained in this letter is not intended to be used as such, it is for your own private use and no commitment is given to you or any other party. Should a valuation be required we would be pleased to carry it out having agreed a fee in advance for the extra work and responsibility involved.