A Bilfinger Real Estate company

Report

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Kingston Eden Quarter
Market Report

Royal Borough of Kingston Upon Thames

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Contents

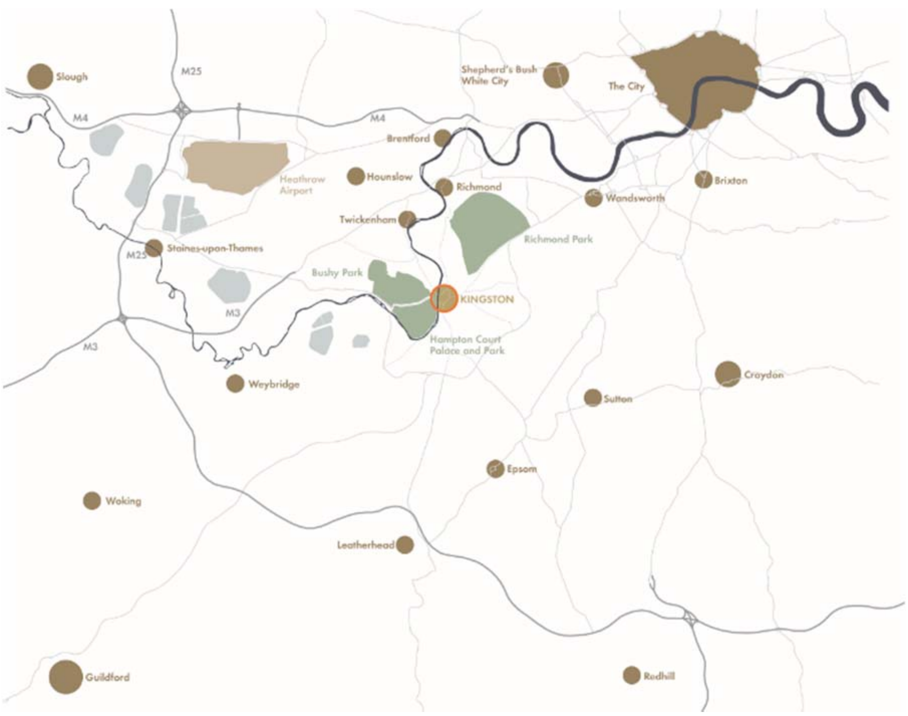
1. Context

Introduction

1.1 GVA has been instructed to carry out a market assessment of Kingston's residential and commercial uses in order to inform a Development Brief for the strategically important Eden Quarter in Kingston town centre. The following report outlines current market trends for Kingston's retail, office, residential, leisure and hotel markets, including demand / supply factors, values / rents (where applicable), development pipeline and market challenges.

Location

1.2 Kingston town centre is identified in the London Plan as a major Metropolitan Centre, located in the Greater London Royal Borough of Kingston upon Thames, approximately 11 miles south west of Central London, five miles south of Richmond and 11 miles east of Staines.



Local Statistics

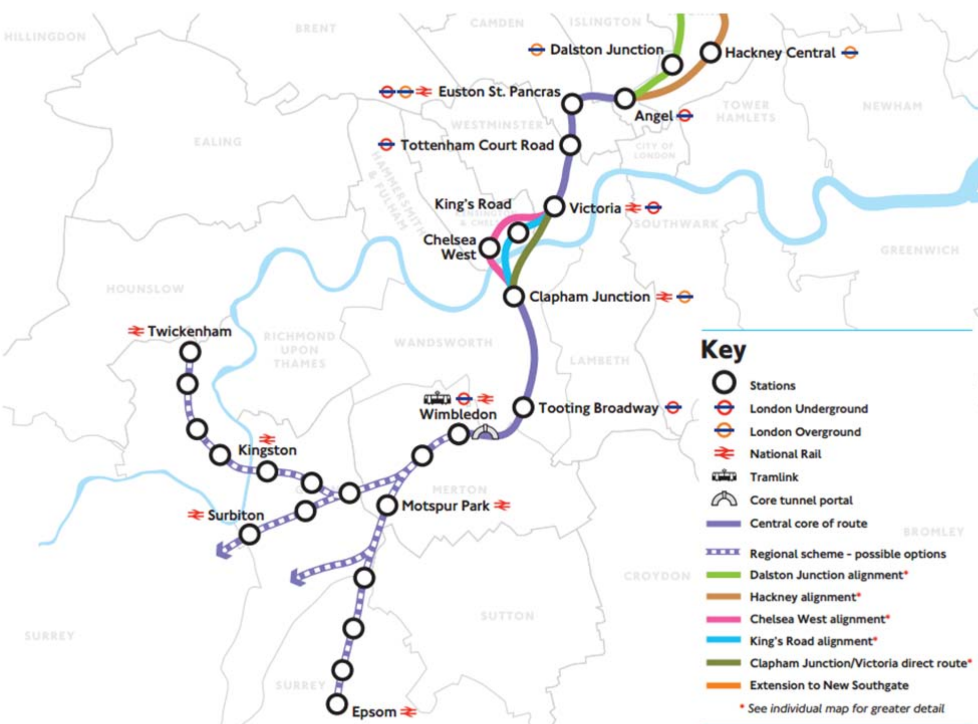
1.3 According to the 2011 consensus the Borough has a population of c. 160,100. Kingston is a relatively affluent area; weekly average earnings are 12.5% above the London average and 33.3% above the national average. According to the most recent figures from the ONS, unemployment rates are at 5.4% compared to 8.5% for London as a whole and 7.5% nationally.

Transport

1.4 The town is well served by transport links, with Kingston train station situated just north of the centre running c. 5 hourly services to Waterloo (journey time c. 30 minutes on fast services). Surbiton station, which is located approximately 2 miles south of Kingston, benefits from more frequent and faster services, with journey times to Waterloo at less than 20 minutes. Kingston also benefits from a comprehensive bus service with over 40 routes to Greater London, Surrey and Heathrow airport, in addition to good road access to the M25, M4 and M3.

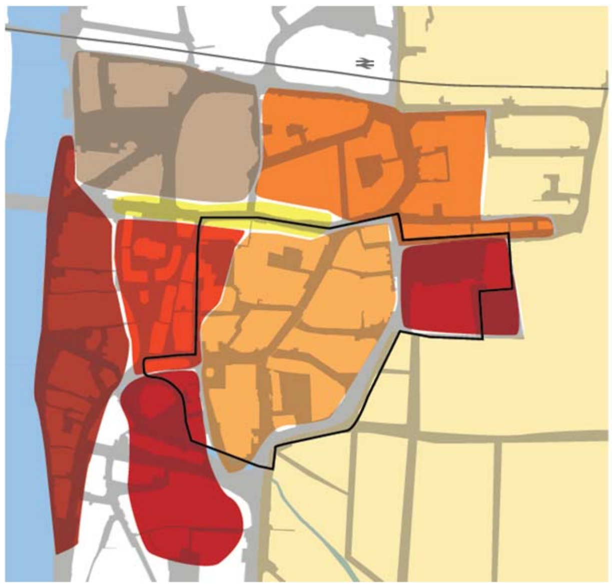
1.5 There are a number of improvements to Kingston's transport system set for the future. In March 2014 the Council won a bid to receive funding from the London Mayor to improve facilities for cyclists in the town through a project known as 'mini Holland'. Amongst the plans is a 700-metre cycle path along a section of the Thames running though the town centre.

1.6 In addition, Kingston is included in the proposed route for Crossrail 2, which, if it goes ahead, will improve rail links to central London by providing direct links to Victoria, Euston and King's Cross St Pancras.



Kingston Town Centre – Distinctive Quarters

1.7 Kingston town centre has a distinct set of Quarters, each with its own set of characteristics, as outlined below:-



Market Place
This is the historic centre of Kingston. There has been significant investment in the square with new hard landscaping and innovative new market stalls. The Apple Market to the east is also a popular location with cafes and boutique shopping.

Clarence Street
This is the primary retail street in Kingston, forming the spine between the department stores, the market place and the Eden Quarter.

Department store area
The collection of John Lewis, Bentall's and the Bentall Centre is undoubtedly a major anchor in the west of the town centre. However, this has created an imbalance in the retail circuits within the town centre.

Secondary retail area
This area contains many independent shops and cafes as well as the Rotunda cinema complex.

Civic areas
This includes the Magistrates Court, the Crown Court, library, museum and the university. Pedestrian connections to these civic uses should be improved.

Riverside and restaurant quarter
The riverside is an attractive part of Kingston and the Charter Key development has helped to secure this area as a destination in the evening with restaurants and bars.

Outer edges of the town centre
Low quality buildings and streetscapes dominate this part of the town centre. There is significant opportunity to expand Kingston's retail offer while reconnecting parts of the town centre.

Residential areas
Kingston's residential population is surprisingly disconnected from the town centre by the ring road, despite its close proximity to the town centre.

1.8 The Eden Quarter is where many of these distinct character areas merge into each other. The Quarter, outlined by black in the map above, is bounded by Clarence Street to the North, Wheatfield Way to the East and Union Street to the West. In addition, Brook Street, Lady Booth Road and St James Road also run through the Quarter.

1.9 The Eden Quarter is located adjacent to or within easy walking distance of many destinations within the town centre including Kingston University, the market square, Kingston's prime retail area including Clarence Street, the Bentalls centre and John Lewis department store, the railway station and the Fairfield recreation ground (the largest park within the town centre). The Market Square and Apple Market are within Kingston's historic core and there are some buildings of historic merit within the Quarter.

1.10 The Hogsmill River runs along the southern edge of the Eden Quarter whilst the River Thames is a short walk to the west. The Riverside comprises the main restaurant and café area in the town, with occupiers including Byron Burger, Bill's, Carluccios and Browns.

1.11 The main use in the Quarter is retail, largely comprising the Eden Walk shopping centre and its immediate surroundings to the north. Eden Walk is anchored by Marks & Spencer, which fronts onto Clarence Street and backs into the centre of Eden Walk, and Primark, which sits on Eden Street, to the east of the shopping centre.

1.12 Other uses include leisure (for example Kingfisher leisure centre and Kingston Hippodrome nightclub), office (for example Lever House, Surrey House and Council Offices to the south of the Quarter), some religious buildings and a public library.

1.13 There are also six car parks (both surface and multi-storey), including the Cattle Market car park, adjacent to the leisure centre, which hosts a market every Monday and neighbours Kingston's bus station (which is operated by Transport for London).

2. Retail Market

Catchment Area

2.1 PROMIS (2014) describes Kingston's catchment area as extending to Weybridge in the West, Leatherhead in the South and the South West of Greater London. The area has a shopping population of 453,000, ranking it 13 out of the PROMIS Centres. The table below details Kingston's catchment and shopping population in comparison to key competing towns. It shows that Kingston has the largest catchment population and highest retail PROMIS rank:-

Town	Catchment Population (PROMIS, 2013)	Shopping Population (PROMIS, 2013)	Retail PROMIS Rank (Out of 200, 1 = best)
Kingston	860,000	453,000	13
Croydon	838,000	452,000	14
Guildford	493,000	244,000	42
Woking	188,000	150,000	138

2.2 The large student population also has a key influence on the dynamic of the centre, with over 26,000 students studying at the University. According to Census data (2011), 2,379 full time students live in the Grove ward which encompasses the town centre.

2.3 A recent Retailscape study by Experian (May 2013) identifies which retail centres across the UK have the strongest market potential, including which areas have both robust consumer demand and a bright economic outlook. The report provides an analysis of retail locations by amount of retail spend, affluence of catchment area, overall economic resilience and how likely consumers are to spend online. Kingston town centre is identified as the third best performing centre in the UK, as well as being the centre with the strongest market potential as demonstrated in the table below.

Centre	Comparison Spend (£m)	Resilience of Catchment	Catchment in Mosaic Group Top Table	Likelihood to Buy Online*
1. London West End	£4,465	Above Ave.	10%	5
2. Edinburgh – Princess Street	£1,325	High	14%	6
3. Kingston upon Thames	£989	High	29%	10
4. Westfield London	£1,111	Above Ave.	9%	6

Centre	Comparison Spend (£m)	Resilience of Catchment	Catchment in Mosaic Group Top Table	Likelihood to Buy Online*
5. Cardiff	£1,102	Above Ave.	13%	8
6. Aberdeen	£940	High	19%	8

*1= low likelihood to by online, 10= high likelihood

Competing Centres

2.4 Kingston has the strongest retail offer of all the Metropolitan centres identified by the London Plan, but it offers a limited range of new and aspirational retailers in comparison to those found in new centres (for example Westfield London). The household telephone survey undertaken by GVA in April 2013 identified that the Borough's main competitors are the West End, Westfield London (White City), Wimbledon, Sutton, Croydon, Richmond, Hounslow, Epsom and Staines. The centres of Guildford, Twickenham, Sunbury on Thames, Ashford, Leatherhead, Wandsworth, Walton on Thames and Weybridge also compete with the Borough to a more limited extent.

2.5 The table below (sourced from Javelin Venue Score) identifies how Kingston town centre is ranked against competing town centres, to provide an indication of how the centre is performing nationally. Note that London West End is not included in the rankings as the centre outperforms all other city centres in terms of retail offer.

Centre	Rank (2013)	Previous Rank Position (2011)
Glasgow	1	1
Manchester	2	2
Birmingham	3	3
Leeds	4	6
Liverpool	5	4
Oxford Street	6	19
Nottingham	7	7
Brighton	8	8
Cardiff	9	10
Edinburgh	10	5
Newcastle Upon Tyne	11	12
Aberdeen	12	14
Norwich*	13	9

Centre	Rank (2013)	Previous Rank Position (2011)
Reading*	13	18
Bristol	15	11
Belfast	16	16
Leicester*	17	13
Kingston Upon Thames*	17	20
Southampton	19	15
Bath	20	22

Note: The number of centres included within the rankings change year on year and this can have a bearing on rank position over time.

* Joint Venuescore ranking

2.6 It is evident that with the exception of the West End, the highest ranked centres are Glasgow, Manchester, Birmingham, Leeds and Liverpool. Kingston is currently ranked at joint 17th position alongside Leicester when compared with all venues across the UK. Kingston's retail rank position has fluctuated between 13 and 21 since 2005 and peaked at 13 in 2007. During this period there have been no significant retail developments within Kingston town centre.

2.7 Centres which are closely comparable with Kingston town centre in terms of scale and offer include Bristol, Bath and Exeter. However, each of these centres has improved its retail offer over recent years. Bristol has jumped from 20th position to 15th since the development of Cabot Circus, Bath has risen from 27th to 20th position since the opening of Southgate and Exeter has gone from 34th position to 23rd since Princesshay opened.

2.8 Kingston's national ranking compares favourably with other London centres. The town centre is identified as the fourth highest ranked London centre after London West End, London City and Oxford Street as demonstrated in the table below (sourced from Javelin Venue Score).

Centre	National Rank (2013)
London West End	1
City of London	4
Oxford Street	6
Kingston Upon Thames	17

Centre	National Rank (2013)
Westfield London	22
Croydon	24
Westfield Stratford City	30
Knightsbridge	40
Covent Garden	41
Sutton	79
Brent Cross	84

Shops (Class A1)

2.9 The prime retail pitch in Kingston is Clarence Street, which borders the Eden Quarter (including Eden Walk shopping centre) to the north and is characterised by high street retailers such as Topshop, Marks & Spencer and The Body Shop. The Bentalls shopping centre and John Lewis (including Waitrose) are situated on the western end of Clarence Street, fronting the street to the north.

2.10 The Market Place is situated to the south of Clarence Street, and directly to the west of the Eden Quarter, which holds a regular market from Monday to Saturday with a range of stalls including small food tents, greengrocer, fishmonger, butcher and more. This market has a number of high quality specialist retailers, many of which also operate in Borough Market in Central London.

2.11 The shops surrounding the Market Place target a higher-end offer, with units including Reiss, Cath Kidston, Jack Wills, Molton Brown and Whistles. There are also a number of independent boutique style shops and cafes. The area has a historic character and is designated as Old Town Conservation Area (OTCA).

2.12 According to GVA's 2013 retail study, Kingston town centre comprises 209,576 sq m net floorspace of retail and service uses. There is a strong comparison goods retail offer at c. 164,739 sq m net which is predominately located within The Bentall Centre, Eden Walk shopping centre, Clarence Street and the Historic Core and tailored towards the mid / mass market.

2.13 The table below details the Eden Quarter's main retail offer which is currently anchored by Marks & Spencer, fronting Clarence Street, and Primark, located on Eden Street (which currently has planning consent to extend into the adjacent building). Within the Eden Quarter itself three distinct areas can be identified, described in the table below and illustrated by the retailers in occupation.

Location	Description	Retailers Include:
Clarence Street	Forming the centre point of Kingston's primary shopping area, Clarence Street commands the town's prime rents and is characterised by a high street fashion retail offer.	Marks & Spencer
		Topshop
		Topman
		Superdrug
		River Island
		French Connection
		Miss Selfridge
Eden Walk Shopping Centre and immediate surroundings	Built in 1968, the Eden Walk shopping centre comprises an open precinct with circa 29 units and a strong mid-market comparison, with the main customer base aged 28-24.	Boots
		H & M
		Jigsaw
		BHS
		Claire's Accessories
		Cargo Homeshop
		Heals
		Sainsbury's
East of Eden Street	Shop frontages located along Eden Street are designated as secondary shopping frontages. The main offer is lower end / value high street stores	Primark
		Argos
		99p stores
		Lidl

2.14 Analysis of retail and leisure demand in Kingston undertaken by CBRE for British Land (March 2013) highlights the strength of retailer demand in Kingston. Through discussions with key stakeholders, we are aware that several existing retailers within the centre are seeking to upgrade to larger and more modern units. The CBRE research identifies that key brands looking to locate in Kingston town centre are unable to find available stores of an optimal size to locate in.

Restaurants and cafes (Class A3 / A5)

2.15 GVA's 2013 retail study highlighted that the proportion of restaurants and cafes (Class A3/A5) within Kingston is low, particularly in relation to the level of floorspace provided, indicating that existing eating and drinking units are currently of a small scale. Most of

Kingston's current restaurant offer is concentrated along the riverside, High Street and in the Rotunda leisure complex (located just south west of Kingston station) which offer the following chain restaurants:-

Riverside	High Street / Market Place	Rotunda
Byron Burger	Jamie's Italian	Pizza Express
Bill's	Nando's	Frankie and Benny's
The Gazebo Bar	Gourmet Burger Kitchen	Five Guys
Carluccios	Pizza Express	Prezzo
Browns	Las Iguanas	
The Slug & Lettuce	Wagamama	
	Strada	
	La Tasca Spanish Tapas Bar	

2.16 The lack of restaurants and cafés is particularly apparent in the Eden Quarter in terms of national chains. Most of the current offer is from independent cafes and takeaways concentrated on the southern end of Eden Street. The limited offer from national operators within the Quarter is detailed in the table below.

A3 – Major Retailers	
McDonalds	East of Eden Street
Prêt à Manger	Eden Walk
Café Nero	Eden Walk
Paul the Baker	Eden Walk
Zizzi Italian Restaurant	43 Market Place

2.17 Our discussions with local stakeholders has emphasised the perception that Kingston's night time economy has become driven by pubs and clubs. This is due to the limited number of family restaurants coupled with the town's large number of late night drinking establishments fuelled by the student population. As a result the town is not necessarily viewed as a destination for families or evening dining, although the recent openings of restaurants by the Riverside has served to improve this perception.

Rents

2.18 Kingston's average retail rents peaked at £310 per sq ft ITZA in 2007/2008. Rents fell during the recession, but are now showing signs of recovery, and are almost comparable to pre- recession levels. This reflects the strength of the centre, strong retailer demand, and the limited supply of modern quality space.

2.19 Within the Eden Quarter, at the time of PROMIS's last audit in 2012, the prime rent on Clarence Street stood at £300 per sq ft ITZA. This is the rent that was reportedly achieved in a 2012 letting to Office.

2.20 With regards to Eden Walk, PROMIS (2014) report that the top rent achieved remains at £145 per sq ft through a 2003 letting to Ann Summers and two 2006 lettings to Paul and Clinton Cards. More recent lettings in 2010 to Claire's Accessories and Dwell were agreed below this figure at £125 per sq ft and £127 per sq ft respectively. PROMIS do not report any recent lettings, but at the time of their audit in 2012 agents considered that Zone A rents of c. £125 per sq ft could be achieved for better units within Eden Walk.

2.21 With regards to rents on Eden Street, PROMIS reports that at the time of their audit in 2012 local agents considered that Zone A rents on Eden street ranged from £50 per sq ft on the Western End up to £125 per sq ft near the junction with Clarence Street.

2.22 The table below details a number of retail letting deals in Kingston Town Centre:-

Address	Tenant	Date	Area (sq ft)	£ / sq ft (ITZA)	Comments
85 – 87 Clarence Street 	Pret	July 2013	5,650	£160	• 15 year lease • No breaks • 2 years rent free. • Unit was vacant for c. 2 years
59-59B Clarence Street 	Schuh	July 2012	3,259	£267	• New 15 year lease • 10th year • 12 months' rent free

Address	Tenant	Date	Area (sq ft)	£ / sq ft (ITZA)	Comments
75-77 Clarence Street 	Tiger	June 2012	3,259	£275	• New 8 year lease • 9 months' rent free • Tenant break in Feb 2016
25 Market Place 	Radley	Feb 2012	2,255	£170	• 3 months' rent free
2 Thames Street 	The White Company	Nov 2011	1,291	£70	• 10 year lease • 6 months' rent free,
20 Market Place 	Kuoni	Aug 2011	1,009	£192	• 9 months' rent free • Tenant only break in the 6th year
11/11A Church Street 	The Kooples	July 2011	1,278	£225	• Assignment basis
10 Clarence Street 	Office shoes	2011	1,250	£300	

Address	Tenant	Date	Area (sq ft)	£ / sq ft (ITZA)	Comments
61 Clarence Street 	Chelsea FC	Oct 2010	1,516	£267	• 10 year lease
57B Clarence Street 	Virgin Media Ltd	Autumn 2010	1,907	£275	• New 10 year lease • 5th year Tenant only break • 3 months' rent free • Further 18 months at half rent

Retailer Demand

2.23 According to the GVA 2013 retail study there are several key mass market retailers currently 'missing' in Kingston town centre. Taking into consideration the relative affluence of the catchment area, there are also gaps in the high end retail offer of Kingston, particularly compared with current tenants at Westfield London. There may be potential demand from more aspirational retailers including All Saints, Urban Outfitters, Banana Republic, Mamas and Papas, Armani Exchange and Anthropologie, Paul Smith, Ted Baker and Pull and Bear.

2.24 In addition, in January 2014 PROMIS reported that there were 33 requirements for Kingston against an average of 12 for PROMIS centres. Requirements included:-

Comparison Retailers		Convenience retailers
Anthopologie	Quiz	Aldi
Bershka	Urban Outfitters	Budgens
Deichmann Shoes	Blott	Iceland
Dr Martens	Boros	Little Waitrose
Moda Pelle	Fossil	Wholefood Markets
Mountain Warehouse	Steamer Trading Cookshop	

2.25 Our discussions with retailers and GVA's retail team have indicated that there is currently further demand as shown in the table below.

Comparison Retailers		Convenience retailers
Debenhams (c. 120,000 – 130,000 sq ft)	Forever 21 (15,000 sq ft +)	Morrison's (50,000 sq ft GIA)
Zara (30,000 sq ft for Zara and 5,000 sq ft for Zara Home)	American Eagle (15,000 sq ft +)	
Bershka (7,500 - 8,000 sq ft)	West Elm (10,000 sq ft)	
Pull & Bear (7,500 - 8,000 sq ft)		

2.26 We have also had discussions with the following retailers who have stated that they are not looking to locate in Kingston / are not looking to move from their current premises in Kingston:-

Retailer	Comments
House of Fraser	House of Fraser considers that a large proportion of Kingston's catchment is already served by their Richmond store. In addition, they consider that John Lewis has a strong position as an existing retailer within the town and that as a consequence it would be difficult to compete.
Harvey Nichols	Harvey Nichols is revisiting its domestic and international expansion strategy. As such, Kingston would not be a location which Harvey Nichols would currently consider.
Waitrose	Waitrose is currently located beneath John Lewis. Due to the recent refurbishment / expansion costs within its current store, and because they are trading well, they would not look to relocate to a new unit within the Eden Quarter.

Retail Development Pipeline

2.27 Since the development of The Bentall Centre and Eden Walk, there has been very little investment into enhancing and updating the retail offer within Kingston town centre. This has resulted in a lack of available retail units which adequately meet modern retailer requirements, subsequently hindering the town's offer. There are, however, a number of schemes coming forward in the development pipeline.

Development	Ownership	Retail Space	Comments
Eden Walk 	British Land	c. 260,000 sq ft	Initial proposals show a mixed use scheme of up to 7 stories including retail, residential, leisure (cinema) and office together with car parking, to be reconfigured around the existing Marks and Spencer and multi-storey car park. Public consultation took place between 10th – 18th July.
Primark 70-78 Eden St 	Primark	c. 69,000 sq ft	There is a planning permission in place for refurbishment and extension of Primark into the adjoining property to create a 'flag ship' four storey store, representing a significant increase in retail space with the current store being two storeys in height with a net retail floor space of 27,986 sq ft.
Ashdown Road car park 	St George	30,000 sq ft (retail / restaurants). 12,000 sq ft offices. 400 homes	St George recently purchased the c. 3 acre site from Hammerson. Initial plans show a residential led scheme featuring housing, retail, restaurants and public spaces. Public consultation took place between 10th – 12th July.
South of Kingston Town Centre 	Salmon	Unknown	Potential re-development for the land owned by Salmon, currently comprising four major buildings with c. 170,000 sq ft of accommodation: - Lever House - Surrey House - The Roundhouse - 1 St James Road

Retail Challenges

2.28 The lack of investment and development in Kingston town centre over the last 20 years has meant that its offer is becoming dated, whilst competing centres such as Croydon & Guildford are attracting significant new development. In particular, the challenges facing Kingston town centre's retail market are:-

- Shortage of larger retail units to meet retailer requirements (5,000 – 15,000 sq ft)
- Lack of potential for another anchor store within the town centre, to drive footfall. This is mainly as a result of the segmented land ownerships in the town centre; in order for an anchor store to be viable a critical mass of supporting prime retail is also required to support the cost of an anchor store.
- There is a gap in the provision of more luxury and aspirational retailers in the town centre, with the limited offer that exists concentrated around the Historic Core / Market Place and the Bentall Centre (mainly within concessions within Bentalls department store)
- Poor connectivity and permeability between John Lewis, Bentalls Centre and Eden Walk / the Eden Quarter, in addition to poor quality public realm / poor pedestrian environment on Eden Street.
- Perception of congestion / parking issues
- Limited centrally located quality eating / drinking offer

2.29 With regards to the Eden Quarter specifically, there are a number of significant constraints that prevent it from contributing to Kingston's need for high quality retail uses. The gyratory system and heavy traffic in the town centre has a significant impact on the Eden Quarter, reducing the quality of the environment and hindering natural pedestrian routes. There is also a lack of connectivity within the Quarter itself, with many pedestrians using Marks and Spencer as a cut through for lack of alternative routes, diverting footfall away from a number of retail pitches.

2.30 In addition, the public realm is poor, exacerbated by the inactive rear of BHS. The Eden Walk Shopping centre acts as one larger super block, reducing pedestrian permeability. The larger blocks and surface level parking towards the eastern edges of the site, fronting Wheatfield way, create inactive streets which are not overlooked, resulting in a negative shopping environment.

3. Office Market

3.1 Despite reasonable train connections to London from Kingston (31 minutes to London Waterloo), the Kingston office market peaked in the mid-80s, but with no new development since, there is no good quality office stock with which to attract new corporates and smaller businesses. In fact, Nathaniel, Litchfield and Partners' recent economic study cites an 8% decline of office space in the Royal Borough of Kingston between 2000-2012, compared with an increase of 12% across Greater London and 17% across England and Wales. This is due to a loss in existing space (through permitted development rights to Maidenhead) and the absence of any new office development for over 20 years.

Current Supply

3.2 Local agents estimate that there is c. 800,000 - 900,000 sq ft of office space in Kingston town centre. However with Combine House, Parman House, Kingsgate House and possibly Millennium House being converted to either residential or student accommodation this figure is expected to dramatically reduce.

3.3 There are a small number of significant office buildings within the town centre, with the majority of floor space being below 10,000 sq ft and fitted around leisure and retail uses or above shops (Market Commentary by Capita, 2014). In addition, the majority of stock is relatively old, with 82% being built pre-1990, impacting on Kingston's competitive position in the modern office market (Nathaniel, Litchfield and Partners, 2014).

3.4 The following table details the more significant office space within the town centre. Two of the offices have current planning applications for redevelopment as residential or student accommodation, which could potentially result in a further decline of office space in the Kingston centre:-

Surrey House **34 Eden Street** Mixed use building constructed in the 1960's with retail on the ground floor and offices above, arranged over four floors. Surrey House forms part of Salmon's mixed use estate in Kingston. 	**Parman House** **62 - 68 Eden Street** Mixed use building consisting of retail on the ground floor and four storeys of office space above. There is currently planning permission in place to demolish the building and redevelop as ground floor retail with 30 residential units above. 	**Lever House** **3 St James Road** The building comprises a seven storey office building. Currently solely occupied by Unilever. Lever House forms part of Salmon's mixed use estate in Kingston. c. 75,000 sq ft 
Millennium House **Eden Walk** Office space situated above the Eden Walk shopping centre. Due to be redeveloped as part of the British Land Eden Walk scheme. 	**Combine House** **15 Wheatfield Way** Building consisting of 5 storeys of car parking with 6 floors of office above. There is currently planning permission in place to convert levels 6 - 11 of the building into a 160 room Premier Inn hotel. Conversion works are currently underway. The lower levels will continue to be used for multi-storey car parking. 	**Kingsgate House** **12 – 50 Kingsgate Road** 21,800 sq ft serviced offices space. A planning application (ref: 14/12318) to redeveloped as ground floor retail with 210 student rooms above is awaiting decision by Inspector in September. 

Neville House, 55 Eden Street 6 storeys of office space situated on ground and upper floors. The ground floor also comprises A2 use. Office storage space is available in the basement. Currently being marketed at £18 psf. c. 20,000 sq ft 	**Kings House & Conquest House 12 – 42 Wood Street** Two inter-connecting office buildings, arranged over ground and three upper floors with basement parking. Kings House has a full height glass atrium reception area. Conquest House has four retail units on the ground floor. c. 90,000 sq ft 	**Eden House 62 - 68 Eden Street** Existing office / retail building adjacent to Primark. A planning application is underway for the demolition of the existing building and redevelopment of the site to provide a 6 storey building comprising retail use and 30 residential units c. 10,000 sq ft 

Demand

3.5 GVA has had discussions with local office agents regarding demand in Kingston and the wider area. We understand that there has been a growth of demand at the top end of the market in the south west M25 corridor which, when coupled with a lack of available space, has resulted in rental growth in many of Kingston’s competitor towns. The increase in demand has coincided with new planning provisions to convert office into residential use which has exacerbated the situation, and serves to further decrease the supply of office space (albeit this tends to comprise low quality office stock). Between May 2013 and January 2014 c. 4% of the Borough’s office space was given permission to convert to residential (Nathaniel, Litchfield and Partners, 2014).

3.6 The bulk of requirements in the south west M25 corridor are seeking between 15,000 – 20,000 sq ft of high quality, purpose-built office accommodation. Yet, due to the lack of development in Kingston, supply of this product is extremely limited. We understand from local agents that there have also been larger requirements for office space in Kingston at c. 100,000 sq ft, however the lack of appropriate office accommodation has meant that potential occupiers have opted to locate elsewhere.

3.7 According to Kingston Futures 61.5% of Kingston's workforce is employed in the top three socio-economic groups (managers, professionals and technical occupations) compared to the London average of 55%. The bulk of firms (more than 5,300 of the Borough's 6,400 companies, or 83%) record up to ten employees. As a result the majority of demand in Kingston comes from local businesses from sectors including business, finance, creative media, engineering and energy wishing to expand (Nathaniel, Litchfield and Partners (NLP), 2014).

3.8 With regards to multi-national office occupiers, Unilever, DST Global Solutions and Saipem are currently based in Kingston. However, demand from these occupiers is generally limited due to competition from Central London or neighbouring Boroughs with better transport links.

Rental Values

3.9 According to NLP's research, current rental values in Kingston town centre range from £20.00 to £25.00 per sq ft. Of the c. 113,000 sq ft currently being marketed in Kingston town centre by FOCUS, the average asking price is £15.00 per sq ft, with the range being between £7.50 to £17.50 per sq ft.

3.10 The table below shows the office rents of Kingston's competing towns:-

Town	Headline Prime Rent £ per sq ft	Comments
Kingston	£23.00	Local agents advised that while the highest rent achieved was the deal to Saipem (see below), a similar building would now be likely to let for in the region of £27.50 - £30.00 psf.
Richmond	£41.00	Focus report that in October 2013 GSA Capital Partners LLP took the third floor at 1 Eton Street at a rent of £41.00 psf
Wimbledon	£36.00	Focus report that in March 2014 Winshuttle UK Ltd took the second floor at Mansel Court, Mansel Road at a rent of £36 psf
Woking	£26.00	Focus report that in February 2014 Mercer Limited took 19,283 sq ft of office space at 1 Christchurch Way at a rent of £26 psf

Town	Headline Prime Rent £ per sq ft	Comments
Guildford	£25.00	Focus report that in March 2013 HSBC Bank PLC took 5,317 sq ft of office space at One London Square, Cross Roads for a rent of £25 psf

3.11 In 2012 a deal with Saipem achieved record rent in the town centre at the time, as detailed in the table below:-

Address	Tenant	Area (sq ft)	£ / sq ft	Rent free period	Comments
Kings House 12-42 Wood Street 	Saipem	90,000	£23.00	30 month rent free 15 year lease	Pre-let -Refurbished building Record rent at time of deal Current ERV c. £27.50 - 30 per sq ft Saipem's workforce is 800+

3.12 Local agents commented that, with supply being seriously eroded since the Saipem letting, it is unlikely that such a generous rent free period would apply in today's market.

Development Pipeline

3.13 The development pipeline for new office space in Kingston is very constrained, with developers unprepared to build speculatively. As far as we are aware there are currently no outstanding planning permissions for the development of new office space in the town centre. The majority of new office space is therefore likely to come forward as part of mixed use development in order for the scheme to be viable. The re-development of the Eden Walk shopping centre is an example of such a scheme, detailed in the table below:-

Development	Owner	Status	Office space	Other uses
Eden Walk 	British Land	Pre-planning	c. 32,000 sq ft	Residential Leisure

3.14 It is questionable however whether major office occupiers would want to locate above a retail scheme. In order to attract the major occupiers, new / refurbished buildings need to be designed to be self-contained and prominent. A building would also ideally need:-

- The ability to be multi-let
- 2.8 – 2.9 metre floor to ceiling heights
- Raised floors
- A/C
- c. 10,000 sq ft floorplates

Office challenges

3.15 The challenges facing the Kingston office market are summarised below:-

- Competition from Central London drawing demand away from suburban areas
- Until the Saipem letting, stagnant rental values resulting in reduced investor interest
- Competition from nearby centres, such as Wimbledon and Richmond, which benefit from better transport links, although rental values are now markedly higher than Kingston
- Issues with traffic, congestion and a lack of parking associated with Kingston Town Centre
- A lack of high specification, modern offices to attract new occupiers
- Increased student accommodation in the town centre impacting upon the town's reputation as an office location, including heightened safety concerns for late night workers

- The need for increased assistance through the planning system to encourage new office development
- The potential loss of further office space in the town through permitted development rights to convert offices into residential (albeit these rights come to an end in May 2016)

4. Residential Market

Planning Policy

4.1 The development plan for the Royal Borough of Kingston Upon Thames consists of the Local Development Framework, comprising a series of development plan documents including the Core Strategy (adopted April 2012) and the Kingston Town Centre Area Action Plan (KTCAAP), which sets out the planning policy for Kingston town centre for the period until 2020. The London Plan (2011) also forms part of the Borough's development plan. The policies detailed below are of particular relevance to the delivery of housing in the Borough.

Housing Targets

4.2 Policy CS 10 of the Core Strategy states that the Council will seek to meet and exceed the housing target set for the Borough in the London Plan for the period 2012 - 27 which is 375 units per annum, equating to 5,625 units over the plan period. The policy identifies Kingston Town Centre as a preferred location for new housing whilst Policy K7 of the KTCAAP states that the area is expected to absorb a substantial amount of the Borough's new housing, delivering 1,000 standards units and 500 student units between 2006 and 2020. This is expected to be delivered as part of mixed-use development.

Housing Need

4.3 In terms of appropriate housing mix, CS Policy DM13 states that new development should provide a mixture of unit sizes and types with a minimum of 30% of dwellings to have three or more bedrooms. On sites suited to family housing this percentage will be expected to be higher.

4.4 In the town centre, the KTCAAP emphasises a need for a wider mix of flats and more dense development to deliver a range of needs, including family housing. This is in contrast to recent developments which have been dominated by one and two bed flats.

Market Review

4.5 Areas surrounding Kingston Town Centre have been subject to new residential development in recent years, including the Kingston Heights development of a former power station on Skerne Road and the Royal Quarter development of the station yard and factory sites on Seven Kings Road. Other developments include The Boatyard, Water

Lane and The Royal Gallery, on Skerne Road. The majority of this new development has comprised flats, usually of one to three bedrooms.

Sales Values

4.6 According to the most recent house price data available from the Land Registry, the average house price in Kingston upon Thames is £504,040, which represents a 12% increase from the previous year. By comparison, the average house price in London is £459,352, having increased by 11.35% over the past year, whilst the average price in England is £241,190. Between July 2013 and July 2014 the number of houses sold in Kingston upon Thames increased by c. 24% from 2,055 to 2,540.

4.7 We consulted with the following local agents to discuss current demand and values in the town centre:-

- Greenfield
- Lords
- Featherstone Leigh
- Dexters

4.8 In general, the agents spoke of a strong demand in the town centre, however a number mentioned that demand had levelled in recent months. This is partly due to the summer season, but also due to a surplus of properties coming onto (and saturating) the market in response to recent price increases. Demand was mainly for two bed flats in close proximity to the station.

4.9 In terms of buyers, agents spoke of a strong demand from buy to let investors (one agent cited that 75% of their properties in the area were sold to investors). However, there is also a significant demand from owner occupiers, mainly young and first time buyers. The range of values given by local agents is summarised in the table below:-

Unit Type	Value Range
Studio	£200,000 - £250,000
1 Bed Flat	£250,000 - £315,000
2 Bed Flat	£375,000 - £425,000
3 Bed Flat	£450,000 - £500,000

4.10 For the two and three bedroom units, local agents commented that the prices quoted above would be inclusive of a parking space (which can separately range in value from c. £15,000 to £20,000 per space). Assuming London Housing Design Guide unit sizing, and adopting the higher end of the range of values, the prices quoted equate to approximately £550 per sq ft overall across all unit types.

4.11 Pricing around Kingston town centre can vary significantly depending on location with the highest prices commanded at the river front. For example, Redrow are currently developing two schemes north of the town centre, detailed further below.

4.12 The best units in the Riverside scheme are priced at c. £1,000 psf, whilst the River Walk scheme, which is slightly set back from the river (only benefiting from partial views), is priced at 60% of this at c. £600 psf.

4.13 We consider that residential values within the Eden Quarter will vary by block (for example we would expect a tower block to achieve considerably higher values than a block adjacent to Wheatfield Way). Furthermore, due to the comprehensive development of the Eden Quarter creating a well-designed, animated and attractive place to live, we consider that the present-day town centre values quoted by local agents to be conservative. Discussions with developers indicate that current assumptions for residential values in Kingston town centre range from £600 - £650 per sq ft.

Rental Values

4.14 The average rental asking prices for properties within the K1 postcode at September 2014 are detailed in the table below.

No. of bedrooms	Average Rent pcm	Median Rent pcm
1 Bed	£1,186	£1,148
2 Bed	£1,896	£1,495
3 Bed	£1,967	£1,900
4 Bed	£2,047	£2,202
5 Bed	£2,864	£2,496

Source: home.co.uk

4.15 Consultation with local lettings agents described a recent surplus of 1 and 2 bed units in the rental market due to improved market confidence from buy to let investors. As a result, agents explained that they were struggling to let some properties which in turn is having a negative impact on rental values.

4.16 In terms of demand, agents described the main market in the town centre area as coming from young professionals, either living as couples or in flat shares. Agents also spoke of significant demand from international students with money to spend on high-end rental property. As a result, demand often picks up over the summer before the University year begins.

Development Pipeline

4.17 There are a number of developments coming forward in Kingston town centre at various stages of the development pipeline which are outlined below.

Under construction

Kingston Riverside

4.18 Kingston Riverside is a new development by Redrow, comprising 222 one, two and three bed flats up to 16 storeys. The first phase of the development is now complete. The second phase is due for completion in September 2014. The development is built to a high specification and benefits from riverside views. The current average asking price is c. £1,000 per sq ft.

Kingston Riverwalk

4.19 Kingston Riverwalk is the low-rise phase of Redrow's Riverside development, comprising 78 flats up to 8 storeys, due for completion in December 2014. Unlike the Kingston Riverside, Kingston Riverwalk is set back from the river front, benefitting from only partial river views. The current average asking price is c. £600 per sq ft.

Kingston Gasworks

4.20 Berkeley Homes were granted planning permission (Ref 14/12215) in July 2014 for the development of 315 units of between 5 and 11 storeys with an element of commercial / community space, at the former Kingston Gasworks Site, situated just north of the town centre on Sury Basin. Site preparation / construction works are expected to commence imminently. According to local agents, we understand that the scheme is expected to achieve overall values of c. £575 per sq ft.

In planning

Site	Proposed Development	Status
Eden House, 62-68 Eden Street	Ref 13/12032: Demolition of existing building (Eden House office block) to provide to provide a 6 storey with 30 flats, with retail use on the ground and first floors.	Resolved to grant permission but awaiting s106 to be signed (Molior)
Thames Side Wharf, Vicarage road Kingston upon	Ref 13/12264: Erection of 97 residential units and 111 sq m of cafe/gallery (Class A3/D1) floorspace provided in two buildings (11 storey and 10 storey), in addition to the	Resolved to grant permission but awaiting s106 to be signed (Molior)

Site	Proposed Development	Status
Thames	erection of a two storey restaurant building (Class A3). The Application is by Fenwicks and the site is located just to the north of John Lewis	

Pre-planning

Site	Potential development / number of units	Status
Eden Walk Shopping Centre	300 units as part of a wider mixed use redevelopment of the shopping centre	Pre-application discussions and design. Public consultation took place between 10th – 18th July.
Car park triangle site, Kingsgate Road	c. 95 units (assuming 350 units per hectare)	Appraising various site options, of which one is residential led development
3 Brook Street	Office block owned by Hammerson, with the potential to deliver 144 units (assuming 350 units / hectare) (Source: Molior)	Unknown
Cheltenham House, 26-30 Eden Street	Office building above a multi-storey car park with the potential to deliver 217 units assuming 350 units per hectare. Please note, Cheltenham House is not part of the Eden Walk Scheme (Source: Molior).	Unknown
Ashdown Road car park	St George recently purchased the c. 3 acre site from Hammerson. Initial plans show a mixed use residential led scheme featuring housing, retail, restaurants and public spaces.	Public consultation took place between 10th – 12th July.

4.21 In addition to the above it is understood that between May 2013 and January 2014 c. 4% of Kingston's office space was given permission to convert into residential units under new planning guidelines, resulting in 214 new residential units, indicating another potential source supply for new residential development.

Growth

4.22 The table below details recent growth in residential values in the Royal Borough of Kingston Upon Thames, taken from Land Registry data:-

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
7%	0%	9%	13%	-15%	3%	7%	1%	6%	8%

4.23 In terms of future growth, Experian (2014) anticipate a 2.92% growth in the Borough between 2014 and 2018.

Residential Challenges

4.24 In regard to residential development within the Eden Quarter we consider that the following challenges apply:-

- Balancing the needs of residents in the town centre against the needs of commercial occupiers (for example noise and servicing requirements)
- The current policy for car parking in the town centre is 0.5 spaces per unit. Given that a high volume of residential units are expected to be delivered, this quantum of residential car parking in order to meet policy (whilst providing retail and office parking) may be difficult to achieve
- Depending on the provision of car parking, there may be increased traffic congestion
- Provision of amenity and open space for residents. At present there is limited open space within the town centre.
- Impact on local services especially if large-scale residential development takes place (for example schools, transport, doctor's surgeries etc.) However this is likely to be off-set by planning contributions.

5. Hotel Market

5.1 In terms of major hotel providers, Travelodge currently operates two hotels in Kingston town centre:-

- Travelodge Central, located above LIDL Wheatfield Way on the East side of the Eden Quarter
- Travelodge Kingston Upon Thames, situated on Old London road just east of the Eden Quarter, providing 72 rooms

5.2 In addition, the following hotels are due to be built in Kingston town centre:-

<table>
<tr><th>Development</th><th>Developer</th><th>No. of rooms</th><th>Comments</th></tr>
<tr><td>Kingston Riverside</td><td>Redrow</td><td>142</td><td rowspan="2">Hotel development currently underway as part of Redrow’s Kingston Riverside residential-led development.</td></tr>
<tr><td colspan="3"></td></tr>
<tr><td>Combine House, 15 Wheatfield Way</td><td>Premier Inn</td><td>160</td><td rowspan="2">Premier Inn was granted planning permission in May 2014 to change levels 6 – 11 of Combine House, Wheatfield Way, from offices into hotel accommodation. Conversion works have started on site. The lower levels will continue to be used for multi-storey car parking.</td></tr>
<tr><td colspan="3"></td></tr>
</table>

5.3 Kingston town centre is well served by budget hotels. We understand that the Kingston Riverside scheme has received interest from upper-mid scale hotel operators including the Hilton, and that Knight Frank, who is currently marketing the asset, has recently agreed exclusively with an investor.

6. Leisure Market

6.1 Current commercial leisure provision in the town centre is concentrated in the Rotunda Leisure Complex, which is situated just south east of the station. The complex comprises 8 restaurants, a 14 screen Odean cinema (the largest Odeon in London), two health and fitness centres and a 16 alley ten pin bowling facility.

6.2 Kingston's young student population has considerable influence on the town's leisure offer with a number of large night clubs including Pryzm (formally Oceanas) on Clarence Street, the Kingston Hippodrome, situated in the Eden Quarter and McCLuskys which is located on the Riverfront. The dominance of clubs in the night-time economy and the absence of restaurants throughout the town (which are currently polarised in the Rotunda and Riverside areas) has given a negative perception of Kingston's reputation as a place to eat as a family destination.

6.3 Other leisure facilities within the town centre include the Kingfisher leisure centre, Kingston museum and art gallery, all of which are situated in the Eden Quarter. The 900-seat Rose Theatre is located on the High Street.

6.4 Kingston is also host to several public events including the Kingston Carnival, Kingston Regatta, the International Youth Arts Festival, the Food Festival, the Festival of the Voice, the Ignition Dance Festival and the Storytelling Festival.

6.5 The initial plans for the Eden Walk redevelopment include a new, small cinema which will be complimented with a restaurant and family dining offer.

6.6 Feedback from local stakeholders has indicated that there is a need for more high quality family orientated restaurants in Kingston town centre, in addition to bars and restaurants for young professionals (as opposed to students). In particular, there is potential to stretch a high quality restaurant / bar offer along the riverside with better connections and provision of appropriate accommodation.