

OFFICE PERFORMANCE

The town centre office market has continued to perform well. Nationally there is increasing take up from companies seeking to locate in quality town centre locations with the benefit of a high skilled catchment and transport infrastructure. Growing levels of freelancing and start-ups are adding to demand.

The Kent market reflects these national trends. Overall, average prime rents across the county grew by 4% over the 12 months to the end of H1 2018. This follows strong growth over the previous two years; rents now stand 16% ahead of the pre-financial crisis peak. The average masks wide variations between locations. Vibrant towns with critical mass and good transport infrastructure are generally performing better.

Located adjacent to Ashford International Station, Connect 38 illustrates this trend. The 7,479m² (80,500ft²) building with office, restaurant and retail space, launched in the spring, is



Hermitage Court, Maidstone.

16%

Average prime office rent ahead of the pre-financial crisis peak

Caxtons

75% let with tenants including Peter Brett, Wilkins Kennedy and Pennypot Dental. Connect 38, developed by Quinn Estates with George Wilson Developments and designed by Clague Architects will be part of this new 55,742m² (600,000ft²) office and retail Commercial Quarter.

This is the largest office block to be built in Kent for 20 years. Plans to increase space for start-up businesses in the town on the Coachworks site were announced in July. Within this wider campus scheme, which will have a five-year lifespan, a former corn store will be converted into a 'business incubator' for 200 workers with start-up work spaces and shared facilities.

Similarly reflecting the demand for space from start-ups, Canterbury has seen a growth in tech and creative business, underpinned by university connections, many locating in the Old Brewery Business Centre. The city was the only



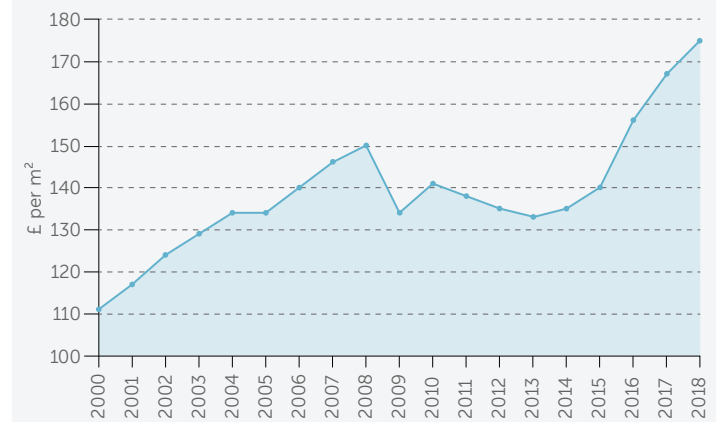
Connect 38, Ashford.

31.5%

Average prime rental growth over last five years

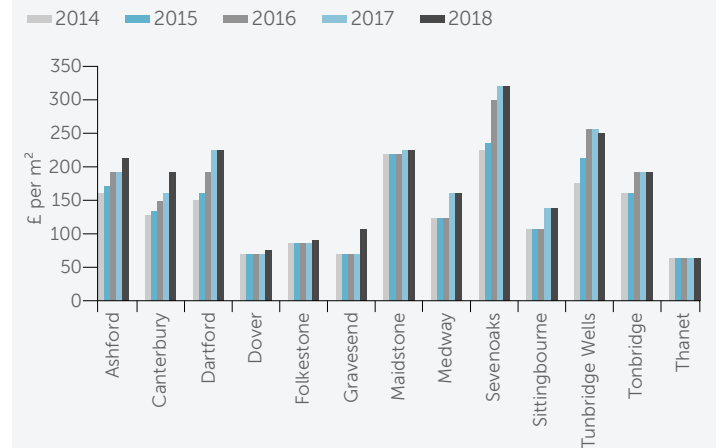
Caxtons

Kent average prime office rent



Source: Caxtons

Office rents



Source: Caxtons

Lettings						
Location	Landlord	Tenant	Size ft ²	Rent (pa)	Lease term	Agent
Part First Floor, Oakhurst House, Tunbridge Wells	Black Rock	Adept Telecom Plc	4,758	£121,300 pax	10 Year FRI with review/break @ 5th	Broadlands
2nd Floor Logan House, St Andrews Close, Canterbury	Albany Capital	On Architecture	3,101	£71,000	10 years	Martine Waghorn and BTF
12, Elevation Space, Manston	Elevation Space Ltd	BIJC Ltd	646	£6,460	Annual lease	Clarke and Crittenden

Sales						
Location	Vendor	Purchaser	Size ft ²	Capital value	Agent	
Progressive House, 2 Maidstone Road, Footscray, Sidcup	Confidential	HWDW Ltd	14,963	£3.65m	Linays	
Towergate House, Markerstudy Business Park, Whitstable	Bishops UK Ltd	Mulberry Tree Holdings Ltd	12,350	£1.55m	Caxtons	
302 Broadway, Bexleyheath	Private Vendors	Investor	4,638	£800,000	Glenny	
7 and 8 Magazine, Upnor	Torpedo South Ltd	Future Avenue Ltd	GIA 3,420 (shell condition)	£420,000	Michael Parkes	
2/2A Middle Row, Ashford	Private Landlord	Private Investor	Ground floor 1,790	£365,000 Part investment sale	Smith-Woolley	
8, Conqueror Court, Sittingbourne	Conqueror Property Partners Ltd	Global Challenge Investments	3,153	£600,000	Caxtons/Harrisons	



Glassworks, Folkestone.

location in Kent noted in the Start-Up Cities Index 2017. Meanwhile in Folkestone's Creative Quarter, The Glassworks is targeting digital and tech companies offering a mix of space, including shared facilities to aid creative transfer of ideas, with the benefit of the high-speed link into London.

Sittingbourne, which is also undergoing change, saw the let of 157m² (1,692ft²) of 6 Conqueror Court to Terradace Holdings on an eight year lease. In Tonbridge, Salus took 98m² (1,059ft²) at Lyons Crescent, while in Sevenoaks, Arrow Underwriting took 81m² (872ft²) in Sackville House.

Maidstone has lost a significant amount of office stock to residential use over recent years, which has proved a challenge for businesses seeking new or expansion space. Allianz Management Services took 271m² (2,915ft²) in Medway Bridge House on a 10 year lease from November 2018, while Contract Fire Services took 352m² (352ft²) in Springfield House in October.

Also in Maidstone, Gallagher Properties' extensive extension and re-modelling work at 'The Granary' (unit E) at Hermitage Court Business Park has increased the size of the building from 216m² (2,300ft²) to 390m² (4,200ft²) of Grade A office space. The existing tenant, Nash Harvey occupy the extended space.

The town centre office investment market continues to be influenced by residential conversion opportunities, particularly in towns such as Tunbridge Wells and Maidstone, although with the depletion of stock with conversion potential, the number of transactions is more limited this year.

In Tunbridge Wells, 6-8 Mount Ephraim Road, was purchased by Cew Capital for £3.5m in September 2017. Meanwhile in Chatham, 1 Walter Burke Way sold in November to Broomford Holdings for £5.3m reflecting a NIY of 6.19%. The 2320m² (24,972ft²) is let to Lloyds of London until 2023. In Sevenoaks the 3,734m² (40,192ft²) Weald & Darenth House was purchased in March by Places for People for £10.11m, reflecting a NIY of 8%.