

Coronavirus: impact of the crisis on East Sussex commercial property

Eighth report: March 2021

1. The evidence base for this March report is based on three telephone interviews conducted on 31st March 2021 with the following property professionals: a partner in a chartered surveying practice and two (predominately) commercial developers. Our soundings indicate that market conditions in March were sufficiently similar to those reported on in February to suggest that a wider survey was not needed. As and when government restrictions (and protections) are lifted there will be value in conducting further surveys to ascertain how the property industry in East Sussex, particularly the office and retail segments, responds to these changing conditions.
2. The surveyor reported that the main market trend his practice is currently registering is increasing interest in offices with: 'as many enquiries and viewings in the last three months as in the whole of 2020'. The premises generating the most interest are higher quality offices. As reported here before, companies are generally retaining an office presence but taking the opportunity to downsize the amount of office floorspace they need when lease events occur to accommodate 'flexible' (or, 'agile', 'hybrid' or 'blended') working – with staff going to the office typically 2-4 days a week depending, on the industry. This well-publicised trend is exemplified (as one example of many), by a recent press report about Nationwide Building Society where CEO Joe Garner is reported as saying: 'The last year has taught many of us that 'how' we do our jobs is much more important than 'where' we do them from' (Source: BBC News, 25th March 2021). This follows similar announcements from IWG, BA, BP and many other organisations.
3. One developer reported that the office market has faded away and, as he has some empty office units vacated by a tenant that has mostly switched to home-working, he is hoping that major businesses will want them for local satellite offices as the recovery takes effect. However, the surveyor, whose practice is active across the whole East Sussex market, has seen no evidence of demand from London-based companies to acquire satellite offices in the county; this is a predicted trend that has not materialised so far in his experience.
4. Strong demand for 'sheds' continues, although this remains for storage and distribution uses rather than industrial. Last mile logistics is the major driver in East Sussex and the surveyor reported that units acquired on the hope that they would satisfy demand for the next 2-3 years are now at 100% capacity and that far more space is needed. There is increasing demand for logistics space from all the major platforms.
5. A developer said that one of his units recently became available because a tenant's business failed, although most tenants have been in a position to continue paying rent. The other developer reported his rent-roll is down because 5-6 businesses were hit hard by coronavirus. He said he has been as accommodating as possible and deferred rents for them to pay when they are able to do so. Government support schemes have definitely helped his tenants' businesses continue trading. On the other side of the equation a couple of tenants – because of the market they are in – have been helped by the pandemic and so are trading better than they would otherwise have done. He cannot say what the effect of the pandemic is on industrial enquiries as he currently has no space to market.

6. Brexit is still reported to be an issue for exporting manufacturers and some companies that operate on the Continent are considering investment there rather than in the UK. The surveyor said that Alfa Laval (which has planned to move its activities from Eastbourne to Denmark by 2023) is representative of a number of companies that he is aware of.
7. Retail remains broadly unchanged since the previous report in February: prime is struggling, but secondary and tertiary is still active. Rents are down for retail and offices but are increasing for sheds.
8. Both developers have plans to bring forward major sites in East Sussex shortly based on high demand for industrial space, evidence that business confidence hasn't been affected by the pandemic. However, two of the interviewees commented on 'atrocious' delays at all stages in the planning process – accentuated by the LPA coronavirus home-working regimes – which has become a major barrier to development. These delays are concerning given the shortages in stock reported on in our research.

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