

PROPERTY BULLETIN

Q1 2022 (MARCH)



This bulletin follows the quarterly property update report covering Q4 2021.

INDUSTRIAL SPACE

Landlords of industrial space in East Sussex have been enjoying resurgent occupier demand in recent years. A spate of notable occupier arrivals over the past three years has meant net absorption has been strongly positive, compressing vacancy rates to under 2%.

Leasing activity held up well last year. 2020 was the strongest year for new supply in more than a decade but the bulk of this has already been absorbed. Further space is now underway, some of which is on a speculative basis. While development activity has been relatively strong in recent years, schemes are typically on the small to medium scale.

Rental growth in the market has reflected the surge in industrial demand over the past year and the lack of available stock. Covid restrictions and closures of physical stores saw delivery-based retailing surge and rental growth has accelerated markedly.

Whilst investment activity picked up markedly in 2021, volumes remained low potentially due to the lack of investment-grade stock available, a symptom of the dearth of large-scale construction over the past decade.

There remains steady demand for B1 light industrial / B2 manufacturing but particularly strong demand for B8 logistics driven by the shift to online retailing. As a result, industrial rents are expected to continue rising during 2022.

Rents rose from £10 per sq ft in 2020 to £12 per sq ft in Eastbourne and the surrounding areas and take up quadrupled over the past year to 288,000 sq ft. SHW report 270,000 sq ft of logged demand in Q4 2021 and estimate availability at 198,000 sq ft, supporting predictions of further rises in rents given the lack of quality supply.

Whilst take up was significantly up on last year in Hastings, St Leonards and Bexhill, rents remained fairly static at £8 per sq ft. In contrast, in Lewes, Newhaven and Peacehaven whilst rental levels remained at £11 per sq ft, £8.00 per sq ft and £9.25 per sq ft respectively, take up halved to 35,500 sq ft again due to severe shortages of decent quality stock.

Overall vacancy remains low at 1.7% and availability has increased to 85,000 sq ft at the beginning of 2022. SHW report demand at 100,000 sq ft in Q4 (560,000 sq ft in total for 2021), and estimate rents reaching £13 per sq ft in 2022.

PROPERTY BULLETIN

Q1 2022 (MARCH)



RECENT DEVELOPMENT SITE NEWS

- At Swallow Business Park, Diamond Drive the 5th phase is nearing completion with only the larger units remaining 6,437 and 8,385 sq ft and one of 4,327 sq ft
- The second phase at Platform Business Centre, Haywood Way is expected to complete in April/May 2022 consisting of four units (Block D) totalling 8,500 sq ft. Three units are under offer. Phase 3&4 comprising Block C is under offer, Block B totalling 14,600 sq ft is available together with Block A consisting of four units of 1,313 sq ft each.
- ESK Eastbourne – commercial rather than residential led scheme being considered. Likely to be more viable now given current supply situation and rental growth trend
- Natewood Farm. B1(b) and(c) commercial business units and storage and distribution B8.
35 units in 5 buildings (single storey and mezz areas) totalling c .83,500 sq ft. Owners anticipate resolution of outstanding matters that have delayed the start of construction including highway access, drainage and movement of overhead power lines. May 2022 is potential start date for works with completion possibly towards end of the year. Decision not yet made on whether to build in phases or to build out in one go.
- Strong demand continues for commercial development land fuelled by logistics operators in the key towns. SHW report current commercial land values (£ per acre) are as follows:

Eastbourne, Hailsham and Polegate £1m

Hastings, St Leonards and Bexhill £0.7m

Lewes, Newhaven and Peacehaven £1m

PROPERTY BULLETIN

Q1 2022 (MARCH)



RECENT SALES

- 1-9 Ivyhouse Lane sold in Jan 2022 for £4.1m on behalf of Blakemore Property Limited. Currently comprises 109,083 sq ft on 5.8 acres. Now being marketed by SHW&JLL and subdivision likely.
- Former Ambulance Station (1970's) at 10 Beeching Road, Bexhill sold in Jan 2022 for £1.17m by Flude.
- Hotchkiss Group Ltd (SHW) has sold the freehold investment in the Fire Protection Building, Chaucer Business Park, Dittons Road, Polegate, East Sussex to a private property company (Dec 21), pictured below.



The 1980's property comprises a single storey industrial premises totalling 20,020 sq ft, with offices and ancillary workshop and storage space on a site of c.1.17 acres. 10 bids were generated through the final bid process demonstrating strong interest for freehold industrial investments.

- Ashdown Business Park. John Lewis 50,000 sqft hub. Some interest from local businesses to take on the existing lease. Current rent is c.£400K but vacant possession not possible until August 22 which is frustrating interested parties as they require space now. Remaining plots 2a & 3 consisting of c.2.7 acres have exchanged subject to planning

PROPERTY BULLETIN

Q1 2022 (MARCH)



OFFICE MARKET

In Eastbourne, Hailsham and Polegate office rents have remained static at £16 per sq ft and this seems likely for the foreseeable future.

Whilst take up is rising there continues to be a lack of available office stock due to planning changes in September 2020 that made it easier to convert office accommodation to residential use and rents deterring new speculative office development.

Demand for offices remains low in the main towns of Eastbourne and Hastings and available stock continues to reduce. However, occupier confidence is increasing on the back of lockdown restrictions easing and a growing realisation that office working has an important place alongside remote/home working.

Demand for flexible, serviced offices and small office suites has increased driven in part by the desire for more agile working and a better work life balance for employees.

Many businesses continue to monitor the situation before making firm decisions around how much office space they require.

There does seem to be growing business sentiment to upgrade existing space or move to quality in order to create a better working and more collaborative environment to deliver training, support and to attract and retain staff. This is translating into increased enquiries and market activity.

- In Uckfield the most recent purpose-built office is Kingfisher Court (2010) with rents around £15 per sq ft. 3 Horsted Square is offering functional space with rents at £9-10 per sq ft. Demand remains very localised.

- Only one purpose-built office (90's) in Crowborough. Basepoint at Pine Grove Enterprise Centre Crowborough has c.60 office suites and has soaked up a lot of demand on a flexible, 'easy in and out' basis.

- There is no office market in Heathfield

- Sea Change Sussex

Bexhill Enterprise Park South

High Weald House was ready for occupation in March 2020 just before the first Covid lockdown. It provides high quality office space offered on flexible terms. Occupancy currently c.30% but a potential new letting currently in solicitors' hands will increase occupancy to around 50% if it goes ahead.

Plots 7 & 8 have to date been reserved for large space users. There been serious interest for a large headquarters office development and from high tech companies.

Plot 2 was sold to Marstons for a hotel and pub/restaurant scheme but they have not developed out the site and the plot is currently under offer.

PROPERTY BULLETIN

Q1 2022 (MARCH)



Bexhill Enterprise Park North

Part sold to developer Westcott Leach subject to planning, obtained in April 2021, for approx. 8,000 sq.m of industrial units. Sea Change Sussex are currently on site constructing the site's internal access road. Westcott Leach are planning to start on site later this year. Sea Change Sussex are in discussions with a number of large space users for the remainder of the site and feasibility is underway. These large requirements will not therefore be competing with the Westcott Leach development.

Queensway North Innovation Park, St Leonards

Planning application submitted approaching a year ago for 4,000 sq.m of B1 and B2. The site is designated in the local plan for industrial uses. Access road already constructed. Sea Change Sussex are still waiting for the planning determination.

Pacific House, Sovereign Harbour Innovation Park, Eastbourne

Modern multi-let business centre with office units offered on flexible terms. All remaining vacant units currently under offer.

Sovereign Harbour Innovation Park, Eastbourne

Sites available with outline planning consent for up to 94,000 sq ft of B1. Site adjacent to the community centre is under offer, subject to planning for office use.

Innovation Centre, St Leonards

Multi-let business centre with office and workshop units offered on flexible terms. Occupation levels rising again back towards pre-Covid levels.

Creative Media Centre, Hastings

Multi-let business centre with office units offered on flexible terms. Occupation levels recovering again from the impact of Covid.

Generally, Sea Change Sussex were busy in the run up to Christmas with a high number of enquiries and viewings resulting in new lettings being completed. There has been a further pickup this year. Enquiries continue to increase but are not yet back to pre-Covid levels. However, the enquiries they are receiving now are generally more serious with a higher conversion rate.

PROPERTY BULLETIN

Q1 2022 (MARCH)



RETAIL MARKET

Prime retail continues to struggle in the key towns. Generally, demand is weak except for good quality high street parades with strong covenants and units with development potential. A good recent example is the sale last month of 17 High Street Uckfield, by Tellon Capital to a private property company for £695,000, reflecting a net initial yield of 7.52%. The 5,059 sq ft retail unit (pictured below) is situated in a prime high street location opposite Waitrose and let to WH Smith Retail Holdings limited with 5.5 years remaining on the lease, at a rent of £55,000 per annum.



The smaller rural market towns such as Uckfield have proved quite resilient helped by parking concessions. The shift to home and remote working has helped to support local retailers with people shopping more locally.

There is good demand for the smaller retail units from independent retailers in Hastings due to a general lack of supply.

National retailers are generally not interested in the small Sussex towns. In relation to the larger shopping centres, footfall has not yet returned to pre-pandemic levels. Trading conditions continue to be tough for 'bricks and mortar' retailers struggling from the impact of Covid restrictions and huge surge in online retailing. Measures to deliver an improved retail and leisure entertainment experience for shoppers by local councils and owners are likely to prove critical.

Food discounters have active requirements but there is a lack of suitable sites

PROPERTY BULLETIN

Q1 2022 (MARCH)



KFC plan to open 15 new restaurants across East and West Sussex. KFC are focusing on three kinds of outlets: full sized restaurants, drive-thrus, and "urban small box" sites which fit into 1,000 sq ft. Most of their new restaurants are set to be drive-thrus, with 13 of the 15 new sites in Sussex set to become drive-thru restaurants. According to the company, drive thru sites are its most popular type and can be fit into vacant sites of more than 0.3 acres. Existing building conversions will also be considered and its restaurant options are considered where drive-thrus cannot be accommodated.

A new KFC in East Sussex is set to open or recently opened in:

Eastbourne Centre - Restaurant

Hastings North - Drive Thru

Lewes (A27) - Drive Thru

Uckfield - Drive Thru

The Hastings Debenhams store closed on May 4 last year. In December, a planning application was submitted to Hastings Borough Council seeking to open a games arcade on the unit's first floor.

The application states the arcade would include pinball machines as well as virtual reality and dance games.

Although the proposed arcade would only cover a small portion of the store, architectural plans submitted along with the application hint what could be done with the rest of the building. This could see an indoor soft play area, cafe, children's mini-golf area and a three-lane bowling alley all set up within the former store. The upper floors (15,000 sq ft) are planned for flexible/coworking space through Freedom Works with opening due late summer.

The application says 45 full-time jobs would be created

The former Debenhams unit in Eastbourne remains empty and is currently being marketed by Colliers.

Prime and secondary Zone A rates throughout East Sussex remain as reported in the last update:

Rents for prime retail (ITZA)

Secondary rents (ITZA)

Eastbourne £70-80 psf ZA

£35 psf ZA

Hastings £45

£25

Uckfield £35-45

PROPERTY BULLETIN

Q1 2022 (MARCH)



SUMMARY

The impact from Omincon variant has been limited and remaining restriction measures have recently been lifted.

Industrial rents are expected to continue to rise with office and retail rents remaining steady.

The lack of available new and existing stock and the protracted timescale for bringing on new supply remains a major concern alongside rising building costs. The ending of the commercial lease forfeiture moratorium at the end of March is likely to result in additional stock becoming available in H1.

Despite some new development underway, supply remains insufficient to meet the current and future demand of the industrial and logistics sector. Rising rents may however help to drive future development.

Identifying ways to speed up the planning process and decisions would be a major step forward together with longer term and effective strategic planning to deliver new stock over a number of years. The supply process is very 'stop start' and there isn't a solid pipeline of planned developments beyond those started. Unless progress is made in these areas some job creation opportunities will not be captured and relocation activity will not be prevented.

John Wood BSc FRICS

Locate East Sussex

10.03.2022