

East Sussex Commercial Property Review – Q4 2021

Number 2 – Q4 2021

1. The information in this report has been taken from the data being assembled by SHW for their Q1 2022 Focus documents, as well as from conversations with the SHW retail, office and industrial/logistics agency surveyors who cover the East Sussex area. We have also conducted telephone calls with a Hastings based Developer and a commercial agent who predominantly covers the mid North Sussex areas of East Sussex. Other information has been obtained from the Locate East Sussex website as well as from the local press and media websites which cover East Sussex.
2. Overall, the factors reported in the last property review in September 2021 are still relevant. In particular in retail there remains good local demand for units with the national retailers continuing to dispose of stores as and when their lease events occur. The exception to this has been seen by the likes of Tesco, looking to open up in the high street, targeting 2,000-4,000 sq ft stores. Drive-thru's such as Burger King have also been looking at more secondary and tertiary locations close to residential areas, to take advantage of the work from home culture. The food stores Aldi and Lidl have also been actively targeting either new sites or relocations in the East Sussex area including Eastbourne, Hastings and Newhaven.
3. The repurposing of former department stores continues with a planning application being submitted by Kapreon on the former TJ Hughes building in Terminus Road, Eastbourne, for a new development of 56 flats with retail on the ground floor. Other department stores may follow the same route in Eastbourne and Hastings.
4. In Uckfield the retail market has remained fairly strong with vacancy rates remaining lower than in 2019. This possibly because rentals are relatively low with not a lot of rental growth and mainly from local occupiers. Consumer patterns also seem to have changed in the other smaller East Sussex local towns with people working from home supporting their local businesses. Free car parking in the Wealden area in particular has also contributed to this
5. Rents for primary retail in Eastbourne remain at £70- £80 psf Zone A, dropping off to £35 psf Zone A for secondary retail whilst in Hastings there is no real movement from the £45 Zone A prime and £25 Zone A secondary respectively in Hastings. In Uckfield the Zone A rents are at about £35-£40 psf.
6. In the office sector available office space is starting to dwindle, due to factors such as the conversion of upper parts above shops from offices to residential and the steady but not strong take up of purpose-built offices, such as at Ivy House in Eastbourne where an employment agency has taken 6,354 sq. ft on two floors and at Chaucer Business Park in Polegate where a manufacturing company has taken a 2,500 sq ft office building.
7. Generally, despite the take up of these purpose-built offices, rents have remained fairly static, despite the low levels of stock, due to low levels of demand in the main towns such as Eastbourne and Hastings. In the more rural towns, demand remains stronger particularly for 2,000-3,000 sq ft and there has been a significant increase in demand for one and two room offices, proving attractive to commuters who only go up to London two or three days a week who are more likely now to want to work from a serviced office rather than from home.
8. The level of office rents remains below the threshold for new development across East Sussex particularly with increased building costs but where speculative offices have been built in the past, these have proved attractive to local occupiers particularly on a freehold basis.
9. The industrial sector continues to blaze a trail for the commercial property sector, across East Sussex with new developments at Platform Business Centre in Hastings, Swallow Business

Park outside Hailsham and the old Teva site in Eastbourne where planning application has been submitted for a new industrial development.

10. The Platform Business Centre in Hastings by Hayand Developments has been particularly successful with all of the first 10 units being let, mostly to local businesses with rents of £11 psf being achieved. The developer has embarked on the second phase of development totalling 8,500 sq ft in 5 units which may even cater for some of the companies who have outgrown the 1st phase. This demonstrates the popularity of new development for occupiers and development schemes and then development schemes may follow as at 1-9 Ivy House Lane which at the moment is under offer. Currently comprising 202,000 sq ft on just under 6 acres, this could either form a breakup or possibly be redeveloped with smaller units.
11. In Hastings construction commenced earlier in the year on the Churchfield Business Centre which will provide 29 new business incubator units which should further stimulate demand particularly from businesses currently working from home who are looking to make the next step on the commercial property ladder.
12. At Newhaven Business Centre, 2 tenants have increased their office space, due to continued business growth whilst 3 new tenants have moved in, and 2 workshop areas have been leased out in one month, the best for over a year. When the current management company took over the centre in 2019, occupancy rates were running at 85% and by the end of 2021 this had risen to 87% despite generally adverse covid related conditions, with a low occupancy rate of 65% in October 2021.
13. Also in Newhaven, a potential development at the Port is seeing several competing companies looking at the feasibility of developing a Hydrogen plant. They are currently awaiting accurate costing for the utility provision to be supplied.
14. Elsewhere in East Sussex the 5th phase development at Swallow Business Park, near Hailsham is nearing completion providing almost the only new units of over 5,000 sq ft in East Sussex, with rents now up to £9.75 psf. However, the main issues in this sector are the lack of available existing stock, both new and second hand and the timescale for bringing on pipeline supply. A combination of a longer lead in time and the rise in the cost of building materials has also impacted the new development market.
15. With limited new development underway rents are likely to rise as are land prices for industrial development land, which may help to attract developers from outside of the area, thus a quick and easy planning process are likely to be key factors for these companies.
16. Ashdown Business Park at Maresfield has proved attractive to local and national businesses with the majority of the Business Park now developed. Despite John Lewis recently announcing that they would be vacating their unit in Ashdown Business Park it is reported that there is strong local interest from a couple of businesses in taking over the building.
17. The quality of life and attractiveness of the East Sussex area have assisted the development of Ashdown Business Park as has the presence of CEO's and FD's living in the area. The other factor that has helped to stimulate this sector has been with more businesses taking back their supply chains from the Far East and Eastern Europe which has been caused by the impact of Brexit and the high cost of moving stock from these countries back to the UK.
18. The table below shows the movement of rents between the 1st and 4th quarters of 2021:

Warehouse & Industrial Rental Trends (£ Per sq. ft) 5,000 Sq. Ft or More

	GRADE A		GRADE B		GRADE C	
	Q1 2021	Q4 2021	Q1 2021	Q4 2021	Q1 2021	Q4 2021
East Sussex	£9.51	£10.50	£7.31	£8.00	£6.26	£7.00
Hastings	£8.00	£10.00	£6.50	£6.75	£5.25	£5.50
Eastbourne	£10.00	£12.50	£8.00	£8.50	£7.00	£7.50
Lewes	£11.00	£11.50	£8.00	£8.50	£7.00	£7.50
Wealden	£8.25	£9.00	£7.00	£7.50	£6.00	£7.00
Rother	£8.00	£8.50	£7.00	£7.50	£6.00	£7.00

19. Generally, it is encouraging to see business continue to flourish towards the end of 2021. It is still too early to see the impacts of Omicon variant of Covid, but the hope is that this will prove to be limited and short term. Rents are likely to continue their upwards movement for industrial and logistics buildings whilst office rents are likely to remain steady despite the increasing shortage of stock whilst retail rents have had a readjustment which in some cases has been significantly lower than the passing rental levels, pre- pandemic.
20. In summary new development needs to take place at a faster rate to eradicate the stop-start process that exists at the moment. This is borne out by the level of enquiries currently being received by Locate East Sussex from inward investment requirements, both domestic and international, as well as from local relocations looking for units from 20,000 sq ft up to a total of 160,000 sq ft. With limited solutions currently available in East Sussex the county may miss out on new job creation as well as being impacted by possible loss of jobs through a potential exodus to locations which have a ready stream of property available. The rise in rental figures, particularly for industrial property is likely to bring investment into East Sussex, provided that the overall timescale for new development is not protracted.

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