

PROPERTY BULLETIN

Q4 2022 (DECEMBER)



The information in this report is taken from data that SHW have assembled for their Q1 2023 Focus documents, as well as from conversations with the SHW retail, office and industrial/logistics agency surveyors who cover the East Sussex area. In addition, Locate East Sussex carried out an online survey of Commercial agents who cover the East Sussex area in December 2022 asking for their views on different aspects of the commercial property market over the last 12 months and provided the results of this survey to us, to assist in the preparation of this report. Other information has been obtained from discussions with Commercial developers who are active in East Sussex. This report covers the period from September 2022 up to December 2022.

The Kwarteng/Truss mini budget in September and the subsequent government Autumn Statement in October 2022 have been in the main factors effecting the commercial property market both nationally and locally in the last three months. In addition, the continuing war in Ukraine has also started to make a bigger impact both in terms of the rapid rise of energy and fuel costs which in turn has pushed up inflation to its highest level in 45 years.

The main impact on the commercial property sector has been on the investment side where following the mini budget, prices reduced in some cases by as much as 10-20% and property and investment companies stepped back from either purchasing new investments or placing them on the market. This has also had an impact on the valuation of property holdings and the market to borrow from funding sources.

INDUSTRIAL SPACE

The Industrial sector continued to see strong demand from the occupier market in the final quarter of 2022. Demand for units of all sizes has remained high, coupled with the lack of available stock, this has sustained the level of rents being paid and, in some cases, moved them in an upwards direction, particularly for new property, across the County. Examples of these are the quoting rents for phase 6 at Swallow Business near Hailsham now moving to £12 psf for sub 3,000 sq ft units and £11.50psf for units of over 3,000 sq ft whilst in Newhaven £10.50psf is being quoted for new and refurbished accommodation. In Lewes a new development Buckingham Park which is due for completion in Q4 2023 I likely to have a guide rent of £15psf.

The current lack of availability and the continuing success of new speculative developments have helped to underpin the rental levels obtained earlier in 2022 with scope for further increases in 2023. The table below provides a comparison of rental levels from Q3 to Q4 2022.

PROPERTY BULLETIN

Q4 2022 (DECEMBER)



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

	GRADE A		GRADE B		GRADE C	
	Q3 2022	Q1 2023	Q3 2022	Q1 2023	Q3 2022	Q1 2023
East Sussex	£11.00	£11.00	£9.00	£9.00	£8.00	£8.00
Hastings	£11.00	£11.50	£8.50	£8.50	£6.00	£6.00
Eastbourne	£12.50	£12.50	£10.00	£10.00	£8.00	£8.00
Lewes	£13.50	£13.50	£10.00	£10.00	£8.00	£8.00
Wealden	£10.00	£10.00	£8.00	£8.00	£7.00	£7.00
Rother	£9.00	£9.00	£7.50	£7.50	£7.00	£7.00

RECENT DEVELOPMENT SITE NEWS

The rise in building costs and the increased time taken to secure building materials have added to the difficulties for a new development in all sectors, as increased costs need to be passed on to the end user which can make new build accommodation unviable for these companies. The hope is that these costs will start to fall back but in the meantime any new development is likely to be severely reduced.

The strength of this sector has led to a prelet at Westcott Leach's Swallow Business Park at Golden Cross where a new 25,000 sq ft unit is being completed on a site opposite the Vacgen building at the entrance to the scheme. The levels of rents being obtained and the strength of demand have also prompted more interest from developers with a recent scoping report being submitted to Wealden Council for a 94,200 sqm (1m sq ft) 5 unit scheme on 46.9 acres north of Polegate. An outline planning application is anticipated on this site. This is in addition to an existing planning consent at Natewood Farm on the A22 for 100,000 sq ft and other schemes currently in for planning along the A22.

In Hastings, Hayland Properties report that following the mini budget and the impact on the funding market, they are proceeding with caution in terms of purchasing. However they are back on track with new development building a unit of 5,300 sq ft for Screwfix which will be ready in March 2023 and will be commencing the construction of a new 10,000 sq ft Howdens building in the early new year. They have one block left of 14,000 sq ft which they will revisit in the New Year. They also report that building materials are still proving expensive.

PROPERTY BULLETIN

Q4 2022 (DECEMBER)



Other schemes are also being considered across the county in Lewes, Newhaven, Eastbourne and Hastings whilst Wealden have been seeking a development partner for 42.70 acres at Knights Farm, north of Hailsham. They are seeking to develop up to 325,000 sq ft GIA on this site whilst retaining 150,000 sq ft of this floor space in their ownership.

OFFICE MARKET

The office sector has been showing signs of increased activity over the last quarter with a number of new requirements coming to the market in the main office locations. However, availability levels remain low which means that companies with reasonable sized requirements of over 2,000 sq ft are struggling to find suitable options. With the focus on ESG in this and other sectors, Landlords are having to look at ways of improving the environmental rating of their buildings and provide tenants with attractive, energy saving environments.

Serviced office centres which grew in popularity post covid, as they provided lease flexibility, still offer an attractive option for smaller businesses but larger companies with end of lease events are now looking for longer term solutions. This is putting pressure on the remaining purpose-built office buildings in towns like Eastbourne where the levels of rent do not justify new build offices.

On the more traditional office side, SeaChange developers and owners of offices in Hastings, Bexhill and Eastbourne report a steady flow of occupational enquiries although this has tailed back towards Christmas, although deals in solicitors' hands are still being progressed. They anticipate a pickup of enquiries in the New Year.

On the freehold office front, SeaChange report significant interest in purchasing mostly from self-funded companies and individuals not impacted by having to seek bank funding.

As mentioned in previous reports, the level of office rents in East Sussex generally do not justify new office development schemes, as rents of £28-£30 per sq ft would need to be achieved to make these financially viable. Therefore, to retain offices within town centres, more effort and investment will be needed to retain existing offices, by ensuring that these are fit for purpose as well as being appealing to office staff.

PROPERTY BULLETIN

Q4 2022 (DECEMBER)



RETAIL MARKET

In the retail sector, many retailers across the county are still experiencing difficulties brought about by the decline in High Street traffic and sustained popularity of online shopping, post Covid. This is borne out nationally in some analysis by the Centre for Retail Research who report that in a bruising year for retail 17,145 shops closed in 2022, up nearly 21% on 2021. In addition, they report that more than 150,000 retail jobs were lost last year which is an increase of 45,000 on the previous year's figures. This has led to occupiers needing to reinvent the way that they trade, in order to survive and reiterates the importance of collaboration between property owners, Local Authorities, and tenants to ensure that shops stay open. On the plus side some retailers such as the Frasers group which also owns Sports Direct turned in a strong profit. Others such as Monsoon, marks and Spencer have opened new branches. More locally chocolate chain Knoop's with 7 branches across the south east are looking to double their numbers in the next 12 months.

Moving forward the cost-of-living crisis may well threaten the local retail property market with potential occupiers becoming increasingly cautious of expanding their operations due to rising energy and food prices. It is likely that the full impact will become more apparent in the next few months.

Having said this, there have been some significant retail and leisure transactions in the last 3 months, including Burger King moving into the former Clintons at 79 Terminus Road in Eastbourne, the former Patisserie Valerie unit going under offer to another national sandwich/coffee operator also in Eastbourne. The rents for primary retail remaining in Eastbourne at £70-£80 per sq ft Zone A dropping off to £35 per sq ft Zone A for secondary retail, whilst in Hastings there has been no real movement from £45 per sq ft Zone A prime and £25 per sq ft Zone A secondary retail. In Uckfield the Zone A rents are about £35-£45 per foot.

PROPERTY BULLETIN

Q4 2022 (DECEMBER)



SUMMARY

After an economically turbulent last 3 months of 2022, with the impacts of the mini budget, the war in Ukraine, high energy costs and inflation all having an effect on the commercial property sector. The next three months may show if the economy has settled down or whether, the market continues along the lines of the last three months.

The main impact during the last quarter has been seen in the investment market where most national and local investors have put their acquisition programs on hold. It is too early to see when they will come back into the market but the hope is that the continuing demand in the occupational side of the market, in industrial, will start to encourage them to do so.

Stiles Harold Williams Partnership LLP

