

PROPERTY BULLETIN

Q2 2022 (JUNE)



The information in this report has been taken from the data being assembled by SHW for their Q3 2022 Focus documents, as well as from conversations with the SHW retail, office and industrial/logistics agency surveyors who cover the 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. This report covers the period from March to June 2022 and follows on from the Locate East Sussex "Property Bulletin" which was produced in March 2022.

Overall, there has been limited change in the commercial property sector since the last review, but this could be about to change in the next few months with factors such as the war in Ukraine, food and raw material shortages, as well as the surge in inflation on the back of the steep rise in energy and fuel costs, all coming into play. There is also still a hangover from COVID in terms of working patterns and the impact of Brexit is also playing a part in the decision-making process of businesses who import to and export from Europe. In addition, staff recruitment across the board is now starting to impact on businesses.

INDUSTRIAL SPACE

Platform Business Centre in Hastings by Hayland Developments has proved particularly successful with all of the 10 units in the first phase being let, mostly to local businesses with rents of £11 psf being achieved. The developer has commenced the second phase 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. Other new schemes and refurbishments of existing buildings may follow, such as at 1-9 Ivyhouse Lane in Hastings where terms are being discussed with two parties for the subdivision and refurbishment of this 109,000 sq ft building.

The success of developments such as Swallow Business Park at Golden Cross, Eastside Business Park in Newhaven Chaucer Business Park and Connect 27 in Polegate as well as at Ashdown Business Park in Maresfield, is based on the Developers taking a proactive approach to the planning and construction of these schemes which in the main have been built within a relatively quick timeframe. But equally there are a number of potential sites across the county that have been discussed or promoted for in some cases, years, where little appears to have happened. These sites need to be brought forward quicker, to attract new development investment into East Sussex.

Rental growth has occurred on the back of these developments and has encouraged Landlords to refurbish industrial and warehouse units when they get these back at the end of leases such as at 4 Birch Close in Eastbourne, a 20,000 sq ft building formerly occupied by DPD at Hammonds Drive where rents have moved up to £11 psf. The sale of The Alfa Laval building in Eastbourne on about 3.45 acres is likely to attract new industrial investment to the town and perhaps with new record rental levels.

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The table below shows the movement of rents between the 4th quarter of 2021 and the 2nd quarter of 2022

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

	GRADE A		GRADE B		GRADE C	
	Q4 2021	Q2 2022	Q4 2021	Q2 2022	Q4 2021	Q2 2022
East Sussex	£10.50	£11.00	£8.00	£9.00	£7.00	£8.00
Hastings	£10.00	£11.00	£6.75	£8.50	£5.50	£6.00
Eastbourne	£12.50	£12.50	£8.50	£10.00	£7.50	£8.00
Lewes	£11.50	£13.50	£8.50	£10.00	£7.50	£8.00
Wealden	£9.00	£10.00	£7.50	£8.00	£7.00	£7.00
Rother	£8.50	£9.00	£7.50	£7.50	£7.00	£7.00

Generally, the commercial property market is still buoyant in the industrial sector across East Sussex as is evidenced by the new development taking place, but the retail and office sectors still face a challenge for differing reasons, as identified in this report. The next 3- 6 months are likely to reveal the impact of inflation, energy cost increases and global factors on the UK economy and this will be covered in future reports.

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RECENT DEVELOPMENT SITE NEWS

The industrial sector continues its upward trajectory both in terms of new development and rental increases, across East Sussex with new developments at Platform Business Centre in Hastings, Swallow Business Park outside Hailsham, the old Teva site in Eastbourne where a planning application has been submitted for a new industrial development. Works at Natewood Farm to provide approximately 100,000 sq ft of new units are also expected to commence shortly.

On a smaller scale a new development of units totalling 12,000 sq ft is being built at Cuckmere Business Park outside Berwick with the units being available in September 2022 in unit sizes from 1,500 to 3,000 sq ft. This is a rural development by a local developer which should cater well for the local market in the gap between Lewes and Eastbourne.

Elsewhere in East Sussex the 3rd phase of development has been completed and let at Swallow Business Park with rents now up to £10 psf. The next phase comprising a building of 25,000 sq ft has already been pre let by the Developer Westcott Leach with the steelwork and roof already erected. Planning has also been obtained for the 5th phase totalling 105,000 sq ft which could be delivered in the next 14 months.

Other development is due to take place in Rye to the east of the county and potentially in Newhaven whilst at a site in Lewes, at Malling Brooks, the new owners have commenced the marketing of a new 30,000 sq ft development scheme.

OFFICE MARKET

In the office sector there isn't much available with Ivy House and Chantry House in Eastbourne the main office location in East Sussex being fully let whilst at Chaucer Industrial Estate, offices of 4,750 sq ft at J7- J8 have been let to a medical operator and a new record rent. Demand was strong for these modern units driven by the lack of high-quality office stock in the town centre.

Generally, despite the take up of these purpose-built offices, rents have only moved forward marginally. 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 for the likes of 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. Hybrid office working brought on by Covid- 19 lockdown remains in place for both private business as well as Local Government and this could remain the case for the foreseeable future, despite the benefits of office working.

The level of office rents remains below the threshold for new speculative 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. There is still scope in this sector for new development, but this is likely to be occupier led rather than speculatively constructed.

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RETAIL MARKET

The retail sector has seen a continuation of the move established last year from national retailers to more local operations with national retailers closing stores when lease expiries have occurred and being replaced by local businesses but in a lot of cases, at lower rental levels. There has also been a resurgence in restaurant and takeaway acquisitions across the county with an increasing number of “virtual reality” and leisure operators opening in retail locations. Other operations such as “bespoke cinemas” have become more acquisitive following the removal of lockdown restrictions. Rents generally have stabilised at post covid levels but incentives such as rent-free periods and capital contributions, have grown.

The “cost-of-living crisis” has created a new threat to the retail property market which can be evidenced in the British Retail Consortium report on sales which shows a decline for the second month in a row. This could lead to more turbulence in this sector although it will take a while for the full impact to be known. On a more positive note, the smaller market towns remain resilient with Hailsham’s Vicarage Field shopping centre now almost fully let with the last two vacant units being under offer.

In Eastbourne the last available unit at the Waterfront, Sovereign Harbour has now been let providing full occupancy whilst Eastbourne town centre is seeing good take up with 2 national food chains reportedly taking units along Terminus Road. There are also a number of operators with active requirements for the town both in retail and Food and Beverage.

Rents for primary retail in Eastbourne remain at £70- £80 psf Zone A, dropping off to £35 psf for Zone A secondary retail whilst in Hastings there is no real movement from £45 Zone A prime and £25 Zone A, secondary respectively. In Uckfield the Zone A rents are at about £35-£40 psf.

SUMMARY

In summary the commercial property market both nationally and across East Sussex is still evolving post Covid but generally it has reacted well to the challenges that it has faced so far. To encourage new investment in the county it is important to make the planning process as straightforward and quick as is possible, as the cycle for each sector of the commercial property market is now moving at a much faster rate than before and delays can and have led to new projects being cancelled or delayed or an increase in costs which can make speculative development unviable.

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