

PROPERTY BULLETIN

Q3 2022 (SEPTEMBER)



The information in this report is taken from data that SHW have assembled 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 area. 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 July 2022 up to September.

Globally and nationally there have been a number of changes since the last report, most of which have started to have an impact on the commercial property market in the UK and regionally, in East Sussex. Of these the rise in inflation and the increase in energy costs have had the most significant impact although the Government's proposals in early September may help to lessen the impact of these.

The rise in energy costs has put the spotlight on the retail sector as well as on some manufacturing businesses and has made retailers, restaurants and leisure operators think hard about the affordability of existing facilities. At the time of writing it is too early to judge how the Government's intervention will lessen the impact of these costs and more may be known by the end of the year.

INDUSTRIAL SPACE

The industrial sector has remained the one really positive area with occupier demand remaining unabated, despite the rising costs. This can be seen in the recent placing of the Alfa Laval property in Eastbourne on the market in the early summer. It is reported that there is considerable interest in this 83,000 sq ft building on 3.48 acres from both occupiers and developers alike. The building has not yet been sold but it is understood to be under offer at in excess of the guide price figure.

With the current shortage of available stock, as opposed to new developments, rents are continuing to rise and the table below shows the movement of rents between the 2nd and 3rd quarters of 2022.

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

	GRADE A		GRADE B		GRADE C	
	Q2 2022	Q3 2022	Q2 2022	Q3 2022	Q2 2022	Q3 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

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RECENT DEVELOPMENT SITE NEWS

On the development front SeaChange express frustration in moving forward their their development projects, caused in the main by delays by public bodies.

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 be 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.

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.

Also in Eastbourne, the old Teva site in Hampden Park has been demolished with the developer waiting to build on the site. Parts of the site were retained and let or sold to occupiers.

In Hastings, Hayland Properties report that they are building out the next phase of the extension to Ivyhouse lane Industrial Estate. This comprises 30,000 sq ft for a trade counter scheme known as North Hastings Trade Park. A 10,000 sq ft unit has been prelet to Howdens and two further units of 5,000 sq ft each are under offer to national trade operators

Other schemes are also being considered across the county in Polegate, Newhaven and Hailsham where planning has now been obtained at Swallow Business Park for Phase 5, following the successful completion of earlier phases which are now fully let. Westcott Leach, the developers of Swallow Business Park, report that Phase 5 will comprise 105,000 sq ft and that construction has already commenced with completion due in the middle of next 2023. This reinforces that developments when constructed do let quickly.

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.

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OFFICE MARKET

The office sector has been quiet over the last quarter, mainly due to the lack of stock in the main office locations. Generally, office occupiers are now making decisions where they have lease expiries and this tends to be the decision to downsize and make their offices more appealing to their office staff, following the Covid lockdown of the past two years.

In most locations serviced office centres have proved attractive, as they can offer flexible lease terms and office space ranging from individual rooms to complete suites of rooms. In particular, Freedom Works have been putting the finishing touches to their conversion of the old Debenhams store in Hastings which is being renamed The Palace Workspace, where the upper parts will provide 15,000 sq ft of flexible workspace/Coworking space which will be able to house over 100 new businesses. It is encouraging to see the investment going into the repurposing of an existing landmark building, providing the type of working space that specifically caters for current office and co working requirements.

In Eastbourne, another similar scheme has been set up, called the Foundry at the Beacon. Arranged over two floors, the first floor provides coworking and incubation space, with a range of office workspaces to suit all sizes which are available by day, week or month. The ground floor provides boutique concessions for independent retailers taking advantage of the link to the Beacon shopping centre.

On the more traditional office side, SeaChange developers and owners of offices in the Hastings, Bexhill and Eastbourne areas report that the last 3 months have been fairly quiet on the office front but with deals now starting to complete, following the summer holiday period. Lettings have been completed in September on offices at High Weald House in Bexhill which is now 60% Let.

RETAIL MARKET

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 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.

In this respect some interesting legislation was put before the House of Commons earlier in the summer which if passed could have a significant impact on retail premises in the High Street and town centre locations. In essence the legislation could give Local Authorities the power to auction

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Q3 2022 (SEPTEMBER)



off vacant High Street properties on leases between 1 and 5 years by means of compulsory rental auctions. For further information see:

<http://www.shw.co.uk/articles/2022/going-once-going-twice.html>

Moving forward the cost of living crisis may well threaten the 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 coming winter months.

There have not been any significant retail or leisure transactions in the last 3 months. 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.

SUMMARY

After a relatively quiet last 3 months, the next 3 months are likely to see the full impact of rising inflation, increasing energy costs, increased building costs and the shortage of building materials. We think that this is likely to be a period of consolidation for a lot of businesses, until the impact of the Government's intervention on rising energy costs and inflation is totally absorbed.

The main impact during the summer months has been seen in the investment market where most national and local investors have put their acquisition programs on hold for a period of 6-8 weeks. 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.

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