MAKING
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WORK

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FINAL ROOM TO GROW REPORT 2

JUNE 2021

Prepared for: East Sussex County Council

Prepared by: SHW

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1.0 INTRODUCTION

1.1 In November 2002 SHW undertook research in both East and West Sussex for Sussex Enterprise / SEER which resulted in the Room to Grow Report. The report identified the poor capital investment record in business space in both West and East Sussex since the mid to late 1980s.

1.2 Subsequent market research by East Sussex County Council identified a short fall in supply for future industrial and warehouse uses in contrast with the level of house building taking place and planned in the future.

1.3 In addition, the research identified an ageing stock which did not meet current space requirements or standards of modern-day office and industrial occupiers.

1.4 On the positive side the research did identify several new key warehouse / industrial developments in many areas across East Sussex such as Ashdown Business Park in Uckfield, East Side Business Park in Newhaven and Connect 27 in Polegate, which demonstrated appetite from local developers to take risks to meet demand.

1.5 However, it was concluded that with the limited supply of quantitative data on commercial property, that further, more detailed, research should be carried out, to provide more comprehensive data to assist in the future land allocation across East Sussex.

1.6 It was therefore decided to undertake an update of the 2002 report for the ESCC area.

1.7 It was also identified that this report should provide a high-level commentary on the practical implications of the ageing stock and the energy efficiency, given the government strategy of moving towards greener, more sustainable development.

1.8 SHW were instructed to carry out this research and produce this report to assist in the accommodation of future business space growth needs in East Sussex.

2.0 BRIEF

2.1 The specific areas to be addressed in this report are identified as follows:

I. An assessment of the existing office and industrial stock including a grading of the existing buildings.

II. To examine the potential gap between current and future provision.

III. To assess the situation over a five-year period and longer if possible.

IV. To look at factors driving changes in growth and demand.

V. To identify local and national factor changes that will impact on the business space sector.

VI. To reference economic assumptions that are likely to affect the market.

VII. To comment on the impact of Covid-19 and identify any relevant time analysis.

VIII. Assess sites with planning consent which could come forward in the future.

IX. To comment on the responsiveness of the planning system to new development.

X. To comment on the impact of reforms to the Use Classes Order September 2021.

XI. With the increase to internet penetration, to comment on the impact on retail and how this may affect the high street.

XII. To put forward conclusions on the current situation on the Business space and retail sectors and to provide recommendations on how these should be addressed as well as identifying the need for further research.

3.0 METHODOLOGY

3.1 The base data for reporting in terms of properties and property sizes has been extracted from the valuation office rates database. The data use has been broken down to be size specific with the following brackets starting at a minimum size range of 186 sq m (2,000 sq ft) as collating data below this threshold would be unproductive in informing the report relative to the time and cost that would be required to complete to be inaccurate:

Sq M	Sq ft
186 - 465	2,000 – 5,000
466 – 929	5,001 – 10,000
930 – 1,858	10,001 – 20,000
1,859 – 4,645	20,001 – 50,000
4,646 +	50,001 +

3.2 In order to analyse district data, we have used the post codes and the locations as follows:

POSTCODE	AREA	DISTRICT
RH18	Forest Row	Wealden
BN7	Lewes	Lewes
BN8	Lewes	Lewes
BN9	Newhaven	Lewes
BN10	Peacehaven	Lewes
BN20	Eastbourne	Eastbourne
BN21	Eastbourne	Eastbourne
BN22	Eastbourne	Eastbourne
BN23	Eastbourne	Eastbourne
BN24	Pevensey	Wealden
BN25	Seaford	Lewes
BN26	Polegate	Wealden
BN27	Hailsham	Wealden
TN5	Wadhurst	Wealden
TN6	Crowborough	Wealden
TN7	Hartfield	Wealden
TN19	Etchingham	Rother

POSTCODE	AREA	DISTRICT
TN20	Mayfield and Five Ashes	Wealden
TN21	Heathfield	Wealden
TN22	Uckfield	Wealden
TN31	Rye	Rother
TN32	Robertsbridge	Rother
TN33	Battle	Rother
TN34	Hastings	Hastings
TN35	Hastings	Hastings
TN36	Winchelsea	Rother
TN37	Hastings	Hastings
TN38	St Leonards-on-Sea	Hastings
TN39	Bexhill-on-Sea	Rother
TN40	Bexhill-on-Sea	Rother

3.3 The data properties have been externally inspected in order to ascertain the likely EPC rating and also the quality assessed and graded as follows:

3.4 **A) Offices**

- Grade A – High Quality offices either newly constructed or comprehensively refurbished which provide air conditioning, raised floors and suspended ceilings. Expected EPC - A or B.
- Grade B - Good quality offices with a mix of air conditioning, raised floors and suspended ceilings. Expected EPC – C or D.
- Grade C – Older style offices still considered fit for purpose. Expected EPC – D or E.
- Grade D - Old style offices likely to be non-purpose built over several floors considered unsuitable for continued use and more suited to re-purposing or re-development. Expected EPC – E, F or G.

3.5 **B) Industrial / Warehouse / Trade**

- Grade A – Units of under 10 years old with good eaves height (6M+ for units of under 10,000 sq ft and 8M+ for units over 10,000 sq ft), good loading, unloading and circulation. Expected EPC – A or B.
- Grade B - Good quality units over 10 years old with good eaves height & good loading & unloading. Expected EPC – C or D.
- Grade C – Older units of reasonable quality still considered fit for purpose. EPC D or E.
- Grade D - Old units considered unsuitable for continued use and more suited to a re-development. EPC – E, F or G.

4.0 SUMMARY OF FINDINGS

4.1 Shift towards warehouse and logistics demand as opposed to office demand in the last 5-10 years compared to when Room to Grow 1 was commissioned in 2002. This has also been accelerated by Covid-19 due to more office occupiers working from home and retail occupiers re-directing operations to warehouses to facilitate online demands. Marked shortage of “oven ready” fully/properly serviced sites available for development.

4.2 Strong demand and shift towards warehouse / logistics / and trade counter occupier uses from general manufacturing uses, with most units only being available to rent rather than purchase.

4.3 Very low industrial vacancy rates, therefore very limited options for expansion or for new companies to locate to the area. There was a vacancy rate of less than1% of the total stock or 256,000 sq ft in June 2021 which has gradually decreased since the last report due to the limited introduction of new space.

4.4 Although there have been some successful newbuild warehouse / light industrial schemes, these have primarily been smaller units, not capable of housing large scale employers. Developers are unlikely to develop buildings of over 10,000-15,000 sq. ft, on a speculative basis, unless these buildings are capable of subdivision into smaller units.

4.5 Demand from larger scale employers has been more limited because of the lack of available sites which are capable of being developed within a 12–18-month period. There are starting to be requirements from larger scale employers looking for new buildings of 30,000- 80,000 sq. ft.

4.6 A high level of demand from light industrial and manufacturing occupiers in the area compared with other locations, in addition to the shift towards warehousing and logistics uses, compared to the last 10 years.

4.7 High proportion of older aging industrial and warehouse stock with poor EPC ratings which are at or nearing the end of their economic life. These would benefit from support to be upgraded and in response to the Government’s Green recovery agenda, where still economically viable

4.8 Similarly, an ageing office stock with poor EPC ratings.

4.9 Very limited demand from office users already in the county and virtually no demand from relocation candidates from outside of the ESCC area, particularly large-scale employers.

4.10 Marked loss of office space with the conversion to residential under permitted development rights in some of the main centres but to date this has not restricted office occupiers, due to the low level of take-up and demand in this sector.

4.11 Low office rents achievable in the marketplace mean that speculative construction of new office schemes is not financially viable unless there is external financial stimuli or cross subsidy funding (e.g., grants and/or cross subsidy from more viable consents on part e.g., residential). In Sussex, the only viable locations for new speculative office development are Brighton, and Croydon where Grade A rents are more than £30.00 per sq. ft.

4.12 Despite the low office rents and limited demand, it is still important to encourage development and upgrading of stock where possible, otherwise, there will be no good quality stock for occupiers to consider, in the future.

4.13 In contrast the rise in industrial rents across the county, to between £8.50 - £12.50 per sq. ft, has helped to bring forward new speculative industrial development in Newhaven, Hailsham, Polegate, Eastbourne and St Leonards. These compared to rents of £13.00- £16.50 per sq. ft in Crawley and Brighton.

4.14 Most of this new build business space has been carried out by parties with local connections. There are currently no national developers of industrial or logistics schemes being funded by institutional life funds in the County.

4.15 Weak demand for retail except for good quality high street parades.

4.16 The majority of newbuild schemes have had some form of external grant assistance.

4.17 Very lengthy planning process meaning that sites often take at least two years to obtain planning and realistically 3-4 years for any site with an allocation to reach the position of having premises ready to occupy.

4.18 High demand for freehold industrial and logistics buildings of all sizes with the sustained low cost of borrowing but with very limited supply. There is also freehold demand for office buildings, but this is generally in the sub 5,000 sq. ft bracket.

4.19 Likely to be strong demand for flexible office accommodation, post covid, I.e., on easy in and easy out terms. Flexibility is also wanted by industrial and logistics companies but historically this has not been offered and is unlikely to be offered currently, while the demand is so strong, unless significantly higher rents are offered.

4.20 Majority of businesses in the County are traditional industries but with the creative sector beginning to emerge, although this is concentrated in specific locations which have an attraction for these types of business.

4.21 Increased demand from office and industrial occupiers for "easy In easy out terms" post covid lockdowns which has already been evidenced where office leases have expired but less likely to be available with industrial and warehouse stock where demand exceeds supply and landlords continue to dictate the letting terms. With new development, funding conditions will generally preclude "easy in and easy out " letting terms.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 **How the Commercial property supply has changed over the last 10 and 19 years.**

5.2 Occupier demand for premises is continually moving. In 2002 when Room to Grow 1 was commissioned, there was a perceived demand for more office space as well as warehouse & light industrial. Over the last 19 years this has changed with greater demand now being for warehouse & logistics and particularly freehold premises of all natures.

5.3 Although there have been some very successful new developments and arguably more newbuild offices than other parts of the South East, this has only been possible due to grants and the drive by parties with local connections.

5.4 There has been a marked loss of office space in the likes of Eastbourne due to conversion to residential under permitted development rights but as there has been very low demand and this stock is generally of poor quality, it has not restricted occupier demand in the area, which is very weak and arguably has resulted in re-purposing of older buildings, which may have otherwise stood vacant for some considerable time.

5.5 **What are the current Challenges?**

5.6 There remains a high level of aging stock with poor EPC / green ratings which will only get worse as the buildings get older and reach the end of their life. The Government are currently out to consultation on an upgrade in EPC ratings for non – domestic buildings by 2030 and if this comes into effect, then financial assistance may be required by building owners, to assist in tis upgrading process.

5.7 The development process is far too lengthy from start to finish and this process needs to be drastically reduced with all parts of the planning and development process being shortened. The one part which is hard to change is the construction timeframe but perhaps extra staffing in other areas could help?

5.8 There will be a greater demand for logistics space moving forward, due to the increased volume of parcel deliveries and online retailing. More land and buildings should be made available for these uses.

5.9 The retail market is not dead, but there are major challenges ahead and this was already the case before the pandemic.

5.10 **Recommendations**

5.11 Any development should be of high quality and be flexible to meet future changes in potential demand. Developers mostly factor this into schemes, and this should be considered at the planning process. The former way of greater consultation through the planning process would help.

5.12 External grant funding has been and will continue to be vital to encourage development due to viability. It is very important that grant funding is made readily available on viability grounds.

5.13 There are some development sites but not nearly enough and many are in their infancy and unlikely to be ready for occupation before 2-5 years' time, so there will be a real shortage of available stock in the interim, which may force companies to consider relocating outside of the area.

5.14 The town centres will need help and assistance to maintain vibrancy and larger units which may not have a future going forward, should be repurposed. Councils and shopping centre owners need to concentrate on making retailing more of an experience for their customers with greater use of external areas to be encouraged, particularly for the restaurant and hospitality sectors. Other measures to be considered include a reduction in parking charges, Children's' rides, street vendors and street entertainment to maintain "dwell time" in the town centres.

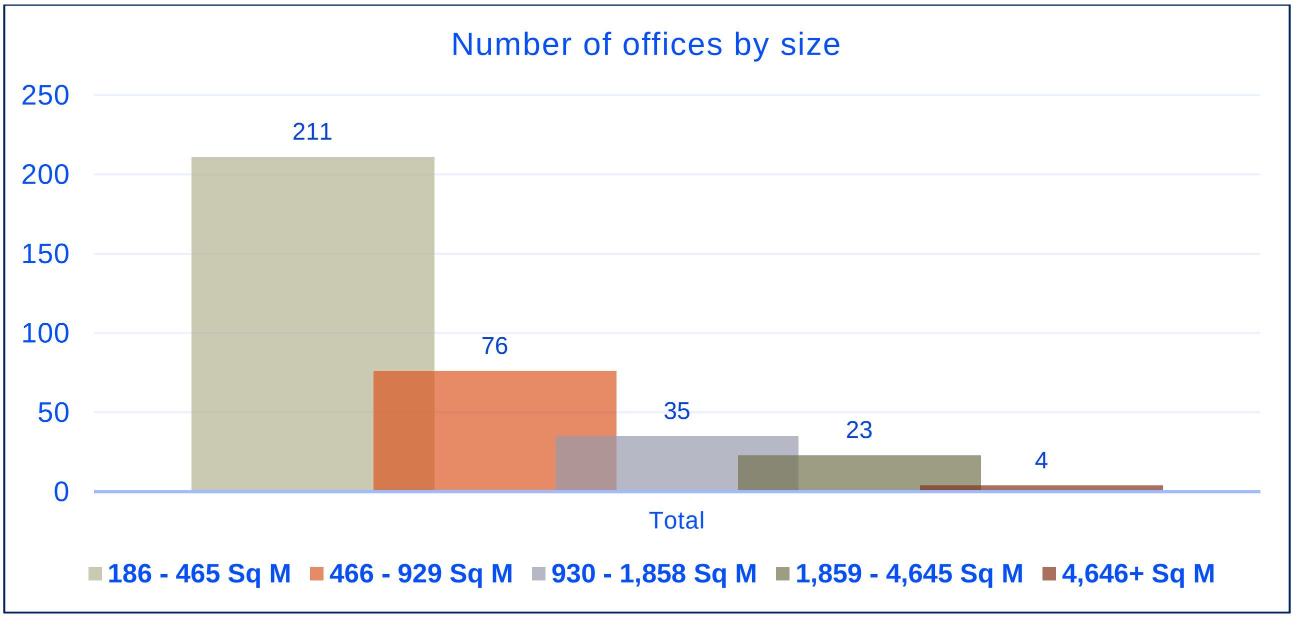
5.15 To ensure an improvement in the rate of new development and to continue to monitor the development process, more regular updates of this report should be commissioned. We would recommend that these be undertaken at least once every 3-5 years. This will also allow for changes in market dynamics caused both globally and more locally by such factors as the worldwide pandemic and Brexit, as well as well as the move towards a more green and environmentally sustainable buildings. These updates would focus on the rate of new development in all sectors, what is happening to the existing office, industrial and warehouse stock, how town centres adapt to enforced market changes and what the future supply of land is like and what can be done to encourage external as well as internal investment.

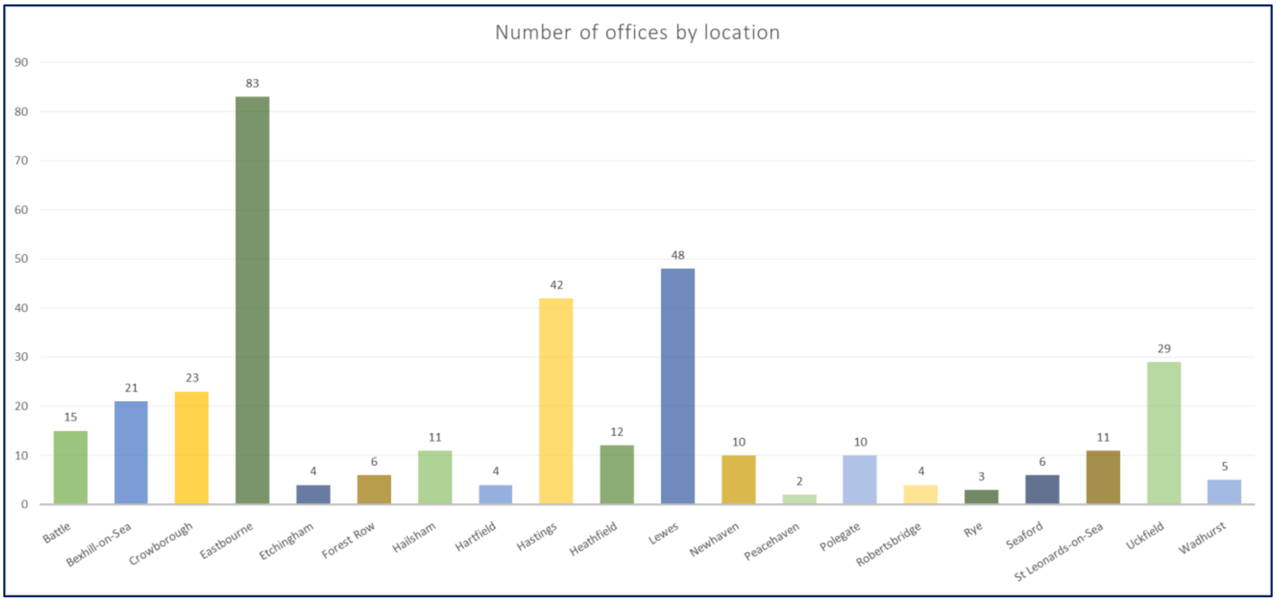
6.0 EXISTING STOCK OF OFFICE PREMISES

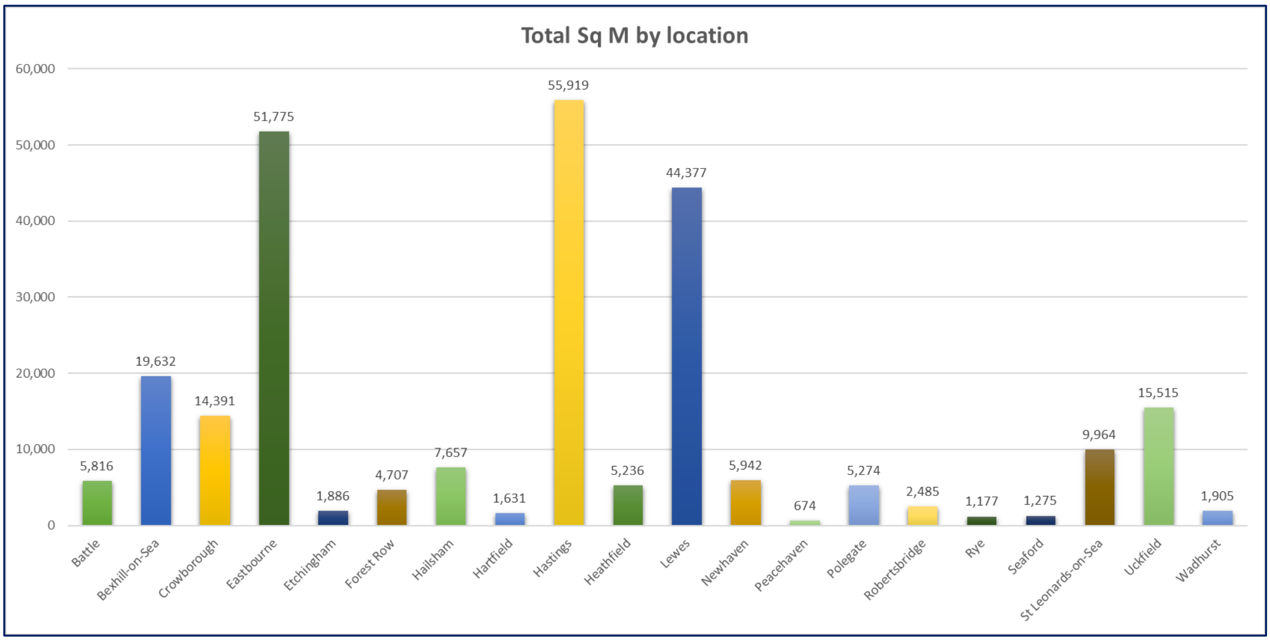
6.1 **A) East Sussex Overall**

East Sussex is not a well-known office location and is predominantly categorised by local companies and government offices (e.g., Local and county authorities, government departments such as DPB in Eastbourne and DWP in Hastings, rather than larger privately owned national occupiers (exceptions to the rule exist e.g., Hastings Direct, Saga). This is thought to be mainly due to the poor transport links to London and the rest of the South East and inability to compete with areas such as London, Surrey and the Thames Valley which offer faster access to larger workforces.

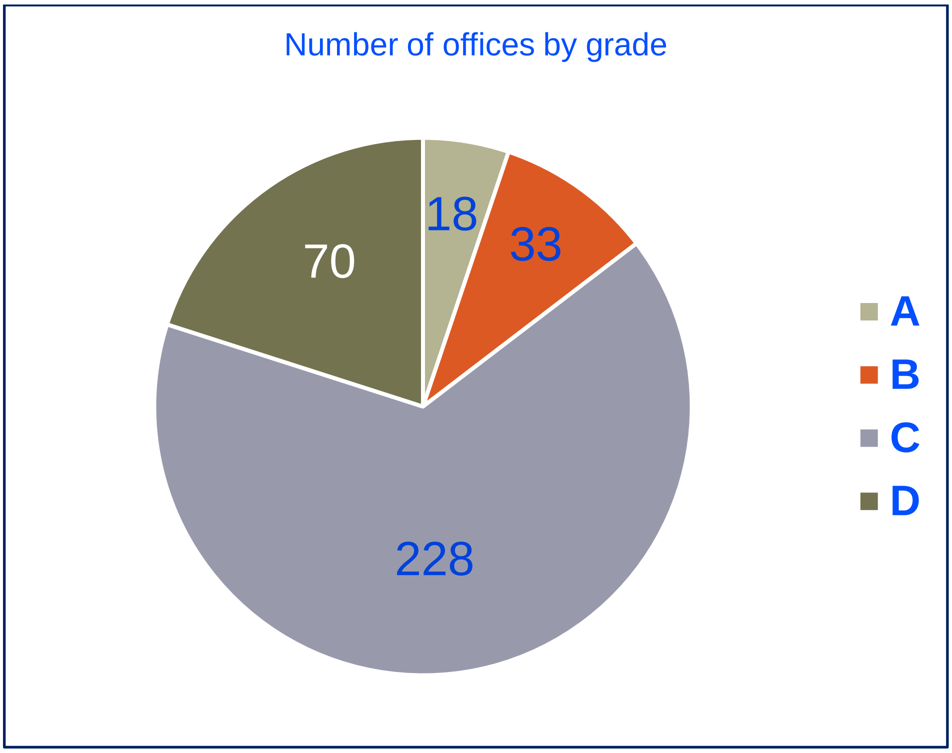
6.2 It is a feature of the market that there are a larger number of smaller sized office units rather than larger ones and several the larger blocks have been sub-divided to form multi let buildings and that the majority of the buildings are located in the larger centres of Eastbourne, Lewes and Hastings both in terms of numbers of buildings and in square footage terms.

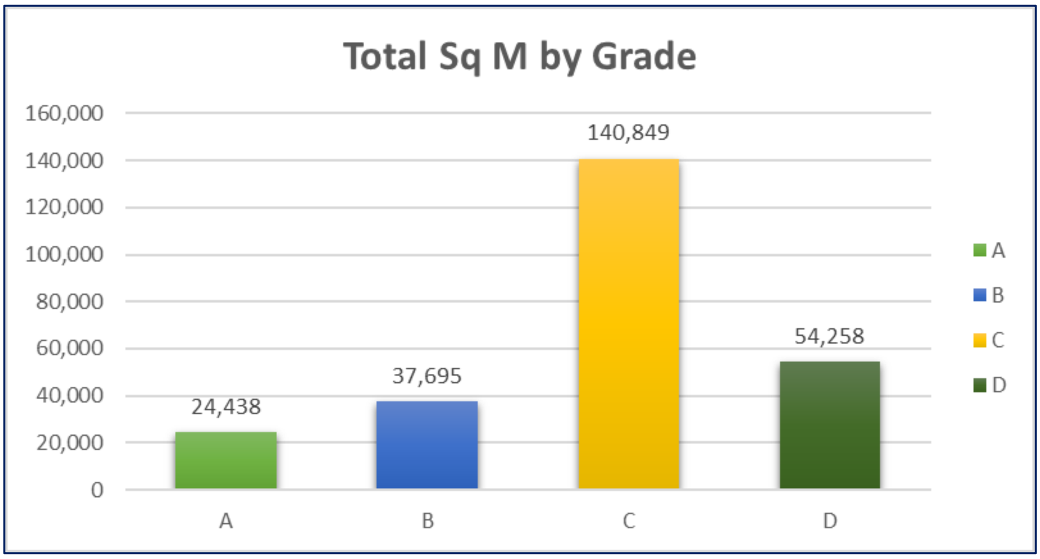

Number of offices by size
250
200
150
100
50
0
211
76
35
23
4
Total
186 - 465 Sq M
466 - 929 Sq M
930 - 1,858 Sq M
1,859 - 4,645 Sq M
4,646+ Sq M


Number of offices by location
90
80
70
60
50
40
30
20
10
0
Battle 15
Bexhill-on-Sea 21
Crowborough 23
Eastbourne 83
Etchingham 4
Forest Row 6
Hailsham 11
Hartfield 4
Hastings 42
Heathfield 12
Lewes 48
Newhaven 10
Peacehaven 2
Polegate 10
Robertsbridge 4
Rye 3
Seaford 6
St Leonards-on-Sea 11
Uckfield 29
Wadhurst 5



6.3 The quality of stock in East Sussex is considered very poor as evidenced by the pie chart below indicating the offices by grade with the majority of office space being in grade C, both in terms of numbers of office units and square footage. This is due to very few new buildings being built and a lack of investment in terms of refurbishing and upgrading existing stock. As a result, the quality of builds is very poor and sub-standard compared with the likes of nearby Brighton and Crawley with the only buildings being built by occupiers or where grant funding has been available.





6.4 Two factors create the lack of investment from external investors; firstly, a lack of demand in the area and secondly the low rental levels that occupiers are prepared to pay. As you will see from the table below, showing the rental trends in several areas since 2001 when SHW carried out the 'Room to Grow' report, rents commanded by offices in the East Sussex marketplace are substantially lower than the Sussex Average and West Sussex. In addition to good tenant demand (influencing confidence on likelihood of achieving a letting during or after speculative construction) it is the case that a rental level of between £25.00 to £30.00 per sq. Ft in addition to longer lease lengths more than 10 years are needed in order stimulate new offices to be built by creating financial viability for new office developments. Longer leases and rents of around £20.00 per sq. Ft are required to stimulate a comprehensive Grade A refurbishment of an existing building. The office market in East Sussex does not have the rents or the demand to attract external investors without grant assistance/cross subsidy to invest in upgrading the existing stock. Although higher rents have been achieved in the area these have been for short flexible lease terms rather than traditional lease terms.

6.5 Brighton & Hove, due to its sustained demand which saw rents driven up as tenants competed to secure space, have encouraged development and as a result many newbuilds are under construction or in the pipeline. Similarly, Crawley rents have stimulated refurbishment but no recent newbuilds as the rental tone is still too low to substantiate, demand is thin and there is a good level of existing stock (mainly second-hand) available in the marketplace.

6.6 Unless rents increase dramatically, and demand increases it is thought unlikely East Sussex will see any substantial investment into speculative office provision without some form of grant assistance. Lack of demand is also likely to see several offices buildings re-purposed with the most likely being to residential use. The loss of the potential for an empty block to accommodate jobs must be balanced against the advantage of activity being introduced into what is otherwise a redundant building which may have remained vacant for some years, a poor result when viewed through the lend economy lens. Removing some empty office blocks can benefit rents achieved as supply is reduced and rising rents can result in the possibility that owners will look at investing to upgrading accommodation due to the improved returns and to attract good tenants. With a greater drive for staff wellbeing many occupiers are looking at upgrading their accommodation to both attract and retain staff.

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

	GRADE A			GRADE B			GRADE C		
	2001	2011	2021	2001	2011	2021	2001	2011	2021
Sussex Average	£18.69	£16.87	£23.06	£12.63	£11.29	£14.77	£7.96	£9.46	£10.24
West Sussex	£19.07	£16.26	£22.49	£14.71	£11.09	£14.10	£9.05	£9.32	£7.11
East Sussex	£11.87	£13.96	£15.74	£8.41	£8.40	£11.60	£5.95	£7.30	£8.98
Brighton & Hove	£16.00	£25.00	£32.00	£12.00	£15.00	£20.00	£9.00	£12.00	£15.00
Adur	£15.00	£13.00	£15.00	£10.00	£11.00	£12.00	£6.00	£8.00	£8.00
Mid Sussex	£19.00	£14.00	£24.00	£15.00	£12.00	£16.00	£9.00	£9.50	£11.00
Hastings	£7.00	£8.00	£16.00	£5.00	£7.00	£12.00	£4.00	£5.00	£8.00
Eastbourne	£12.00	£14.00	£16.00	£7.50	£7.00	£12.00	£6.00	£6.00	£8.00
Lewes	£12.00	£15.00	£16.00	£10.00	£13.00	£13.00	£8.00	£12.00	£12.00
Wealden	£11.00	£7.00	£14.00	£10.00	£6.00	£10.00	£7.50	£5.00	£8.00
Rother	£11.00	£12.00	£14.00	£8.00	£10.00	£10.00	£5.00	£8.00	£8.00
Crawley	£23.00	£21.50	£27.50	£19.00	£12.00	£14.00	£15.00	£10.00	£10.00
Horsham	£17.00	£10.00	£20.00	£14.00	£8.00	£16.00	£9.00	£7.00	£8.00
Worthing	£15.00	£14.00	£13.50	£11.50	£12.00	£12.00	£8.00	£10.00	£9.00
Arun	£12.00	£13.00	£15.00	£7.50	£10.00	£11.00	£5.00	£9.00	£9.00
Chichester	£14.00	£13.00	£17.00	£10.00	£10.00	£11.00	£8.00	£9.00	£9.00

6.7 Although the data collated is only for units' sizes of over 186 sq. m (2,000 sq. ft) it is important to refer to the importance of the business centre or serviced office sector which generally offer smaller office suites available on flexible (i.e., "easy in/easy out") lease terms. East Sussex does not typically appeal to the main national providers such as WeWork/Regus/Basepoint and Easy offices, but operations are typically run by local companies such as Sea Change. These provide a much-needed availability offering for small existing organisations and for start-ups alike, but the offering is quite slim and the whole region would benefit from a larger and more diverse offering.

6.8 **B) Eastbourne**

6.9 Eastbourne's office offering has been severely affected by the rules for Permitted Development which were introduced in 2015 and allow change of use from office to residential without the need to obtain an express planning consent nor to provide an allocation for social housing. Areas such as St Leonards Road are seeing offices being converted to residential accommodation and over 130,000 sq. ft of office stock has been lost to residential conversion in Eastbourne town centre since 2013. New development in the town centre has been limited and this again is due to the demand and in turn value of residential as opposed to office premises. There have been some new developments such as Pacific House in Sovereign Harbour and Franklin House at Chaucer Business Park in Polegate. These new buildings offer an alternative to older refurbished stock with limited parking in the town centre and are attracting businesses out of the centre with their better specification and parking/road links. Office rents in

Eastbourne range from around £12.00 per sq. ft for older disjointed stock (e.g. –offices in buildings originally constructed as residential, e.g., Hyde Gardens) and up to £18.00 per sq. ft for new stock e.g., at Pacific House in Sovereign Harbour.

New stock

Pacific House, Eastbourne

25,000 sq ft build in 2015

Older/aging stock

St Marks House, Eastbourne

6.10 **C) Hastings**

6.11 The office market in Hastings has fluctuated in the last few years. The town is home to various government departments due to the large buildings and low rents that exist. The change in how people work has meant that many of these buildings have either been converted in to residential or have been refurbished and sub divided to be let to multiple occupiers. There are various large conversions happening at present as witnessed at Ashdown House where the DWP have moved into the town centre to Lacuna Place, a new build office smaller than Ashdown House but more in keeping with modern working practices. Hastings has had new office developments in the town centre, and these are generating rents equivalent of those seen in Eastbourne. Older buildings such as Ocean House, however, are only able to attract rents of around £5.00 per sq. ft.

New stock

Lacuna Place, Hastings

Older/ageing stock

Ocean House, Hastings

6.12 **D) Lewes**

6.13 The Lewes office market is limited with older existing stock being converted to higher value residential use. In the past the upper floors above retail in the High Street were predominantly in office use but the majority of these have now been converted to residential. There are some 1970s/80s purpose-built offices on Brooks Road such as Sackville House, which is multi-let with rents passing at circa £16.00 per sq. ft and Caburn House which is not occupied by, but is leased to, Honeywell at a passing rent of £12.75 per sq. ft which would be considered low. Likewise, on Bell Lane there are some 1970s/80s purpose-built owner-occupied offices at the former Roche Diagnostics complex and a more recent office that is circa 10 years old. The passing rent here is £16.00 per sq. ft. Top rents in Lewes have plateaued at £16.00 per sq. ft, there is limited demand and the loss of stock to residential use has not helped move office rents on. For older, cellular office stock above retail, rents would be circa £12.00-15.00 per sq. ft.

More modern space

Caburn House, Lewes

Typical stock

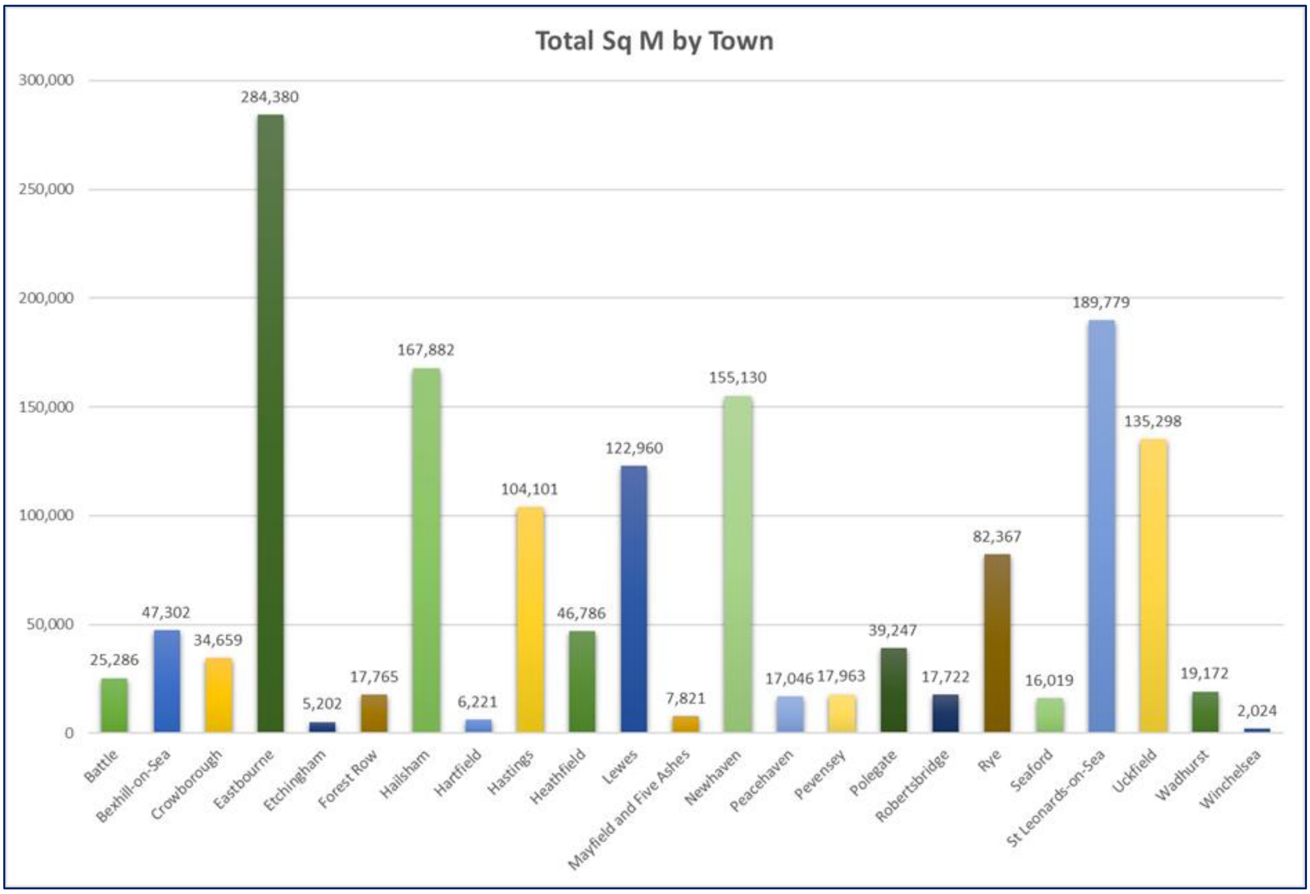
Albion House, Lewes

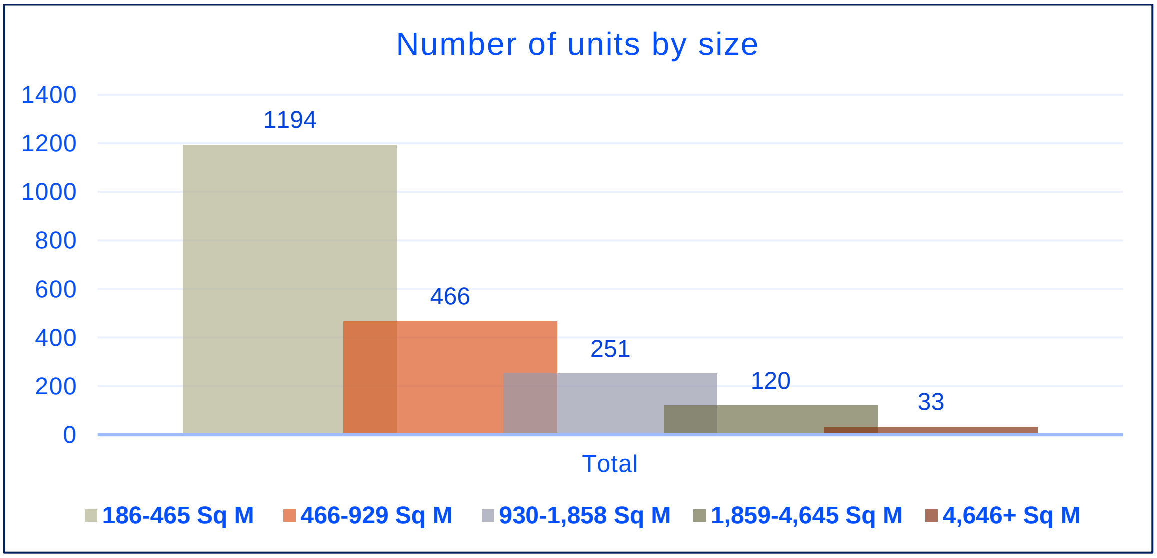
7.0 EXISTING STOCK OF INDUSTRIAL / WAREHOUSE / TRADE PREMISES

7.1 **A) East Sussex Overall**

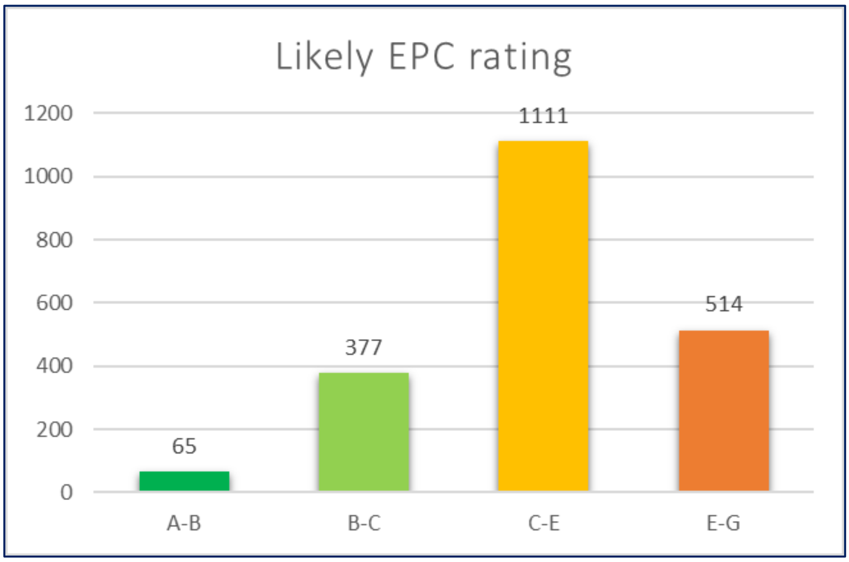
7.2 In contrast to the office market East Sussex has a vibrant warehouse / logistics & light industrial market with a surprisingly high number of large companies, many ‘home grown’, choosing to locate here. Unsurprisingly most of the accommodation is in or close to the main towns as indicated in the tables below. The main Industrial and Warehouse centres are Eastbourne, St Leonards, Newhaven, Uckfield, Lewes and Hastings.

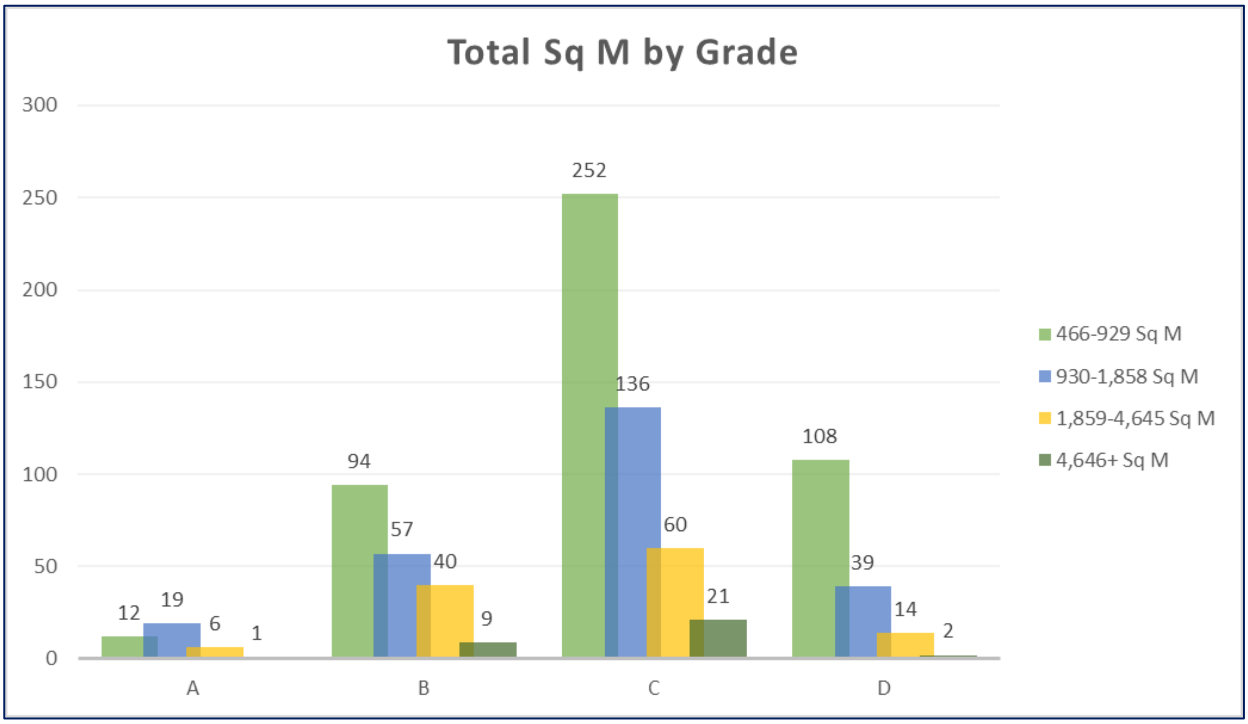
7.3 Unlike many other regions which are dominated by storage and distribution, East Sussex has many manufacturers providing high quality and much needed jobs.

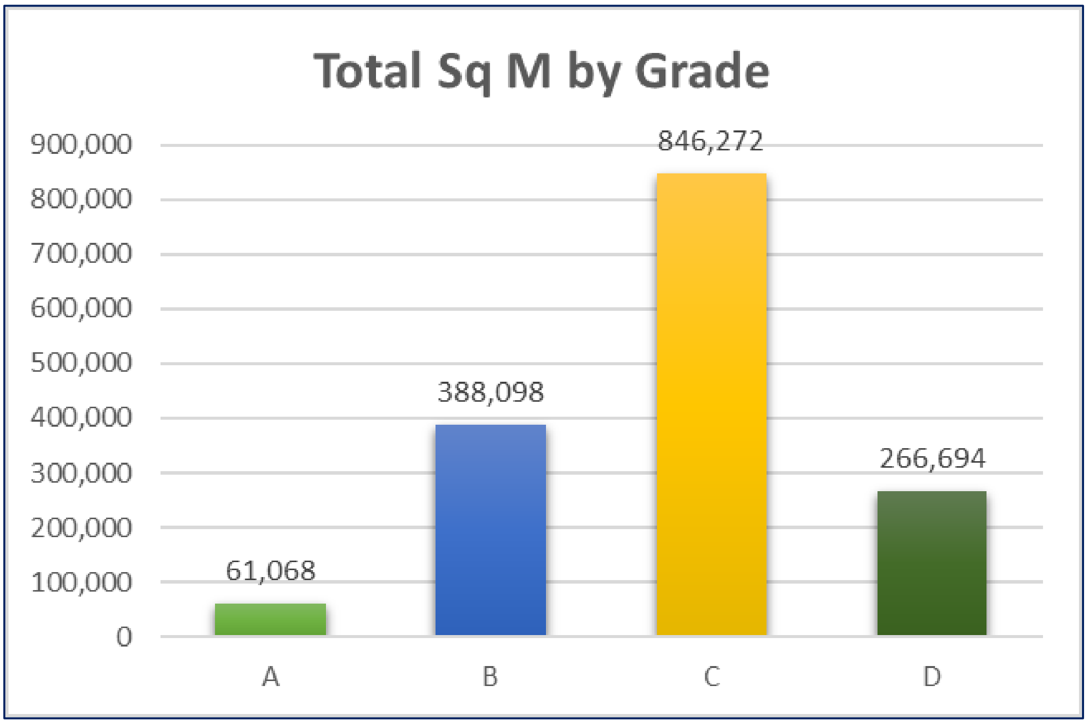




7.4 Many of larger manufacturers own their freeholds and due to the nature of a manufacturer the quality of building they require is often of a poorer standard. In general, the quality of stock in East Sussex is poor compared to other centres like Crawley as can be evidenced by the likely EPC rating of the overall stock highlighted in the bar chart below where most buildings are in the C-E grade.


Likely EPC rating
1200
1000
800
600
400
200
0
65
377
1111
514
A-B
B-C
C-E
E-G


Total Sq M by Grade
300
250
200
150
100
50
0
12
19
6
1
94
57
40
9
252
136
60
21
108
39
14
2
A
B
C
D
466-929 Sq M
930-1,858 Sq M
1,859-4,645 Sq M
4,646+ Sq M



7.5 Below is a chart showing rental growth in various towns in the area since 2011. In towns where there has been a sustained high level of demand and rental growth there has been development. This has been evidenced in the likes of Crawley where there has been a high level of outside investor and developer interest and as a result there has been a significant number of older units being demolished to make way for new modern purpose-built units.

7.6 Since the 2001 Room to Grow report there have however been a few much-needed schemes come to the market at Swallow Business Park, Hailsham and Eastside Business Park, Newhaven, both of which have benefitted from some grant/gap funding and Chaucer Business Park at Polegate where no public sector support was available. These developments have been by local developers passionate about providing good quality accommodation for local companies and targeting the smaller unit sizes.

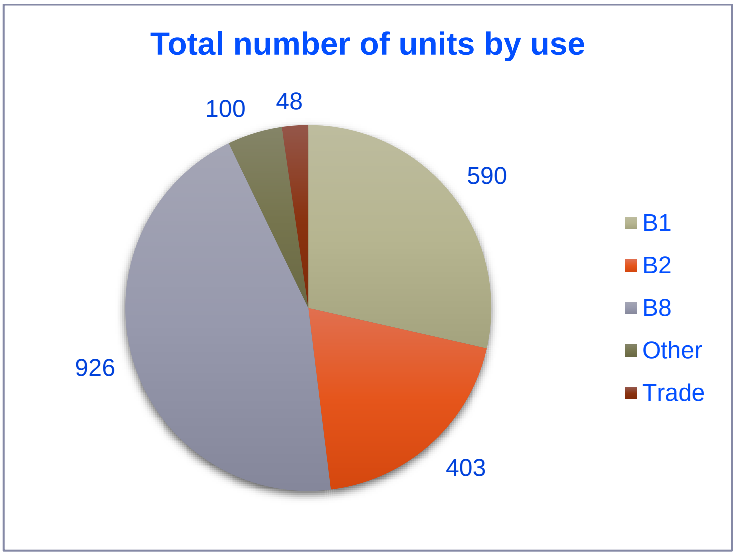
7.7 More recently Connect 27 in Polegate, a development from an outside investor, has shown great letting success and this is likely to stimulate further external investor interest in the main centres where there is sustained demand and rental levels are more than £10.00 per sq ft.

7.8 Demand in the region continues to be very good and many occupiers are getting increasingly frustrated by the lack of existing stock available and the lack of newbuild units coming to the market. This is due to near 100% occupancy and the severe lack of available sites being made available for development (see later section on pipeline development sites).

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

	GRADE A			GRADE B			GRADE C		
	2001	2011	2021	2001	2011	2021	2001	2011	2021
Sussex Average	£6.96	£6.87	£10.72	£5.70	£6.18	£8.35	£4.34	£5.25	£6.66
West Sussex	£6.96	£6.77	£10.56	£5.81	£6.03	£8.38	£4.76	£5.39	£6.77
East Sussex	£6.31	£6.56	£9.51	£5.43	£5.87	£7.31	£3.75	£4.90	£6.26
Brighton & Hove	£7.50	£10.00	£16.50	£6.00	£7.50	£11.00	£4.00	£6.00	£8.00
Adur	£6.25	£6.50	£8.25	£4.50	£5.75	£7.00	£3.50	£5.00	£6.00
Mid Sussex	£7.00	£7.00	£11.00	£6.50	£6.00	£8.00	£5.00	£5.50	£7.00
Hastings	£5.50	£6.50	£8.00	£4.50	£5.50	£6.50	£3.50	£4.75	£5.25
Eastbourne	£6.00	£7.50	£10.00	£5.00	£6.00	£8.00	£3.75	£5.00	£7.00
Lewes	£6.50	£6.25	£11.00	£5.50	£6.25	£8.00	£3.75	£5.00	£7.00
Wealden	£7.00	£6.75	£8.25	£6.50	£6.00	£7.00	£4.00	£5.00	£6.00
Rother	£5.50	£5.50	£8.00	£4.50	£5.00	£7.00	£3.50	£4.40	£6.00
Crawley	£8.00	£7.50	£13.00	£7.00	£6.50	£11.00	£6.00	£6.00	£8.00
Horsham	£7.00	£6.76	£11.00	£6.50	£6.00	£7.50	£5.50	£5.50	£7.00
Worthing	£7.00	£6.50	£9.25	£5.25	£6.00	£7.00	£4.00	£5.00	£6.00
Arun	£6.50	£6.50	£8.75	£5.00	£6.00	£7.00	£3.75	£5.00	£6.00
Chichester	£6.50	£6.00	£11.25	£5.00	£5.50	£8.00	£3.75	£5.00	£6.00

7.9 Although the data contained within this report is for units of 186 sq. m (2,000 sq. ft) there is a reasonable supply of smaller units in East Sussex and a large proportion of the most recent developments have added to this supply. However, this size sector is buoyant, and the region could certainly cater for more as there is near 100% take-up in all areas. What the locality does lack is a flexible offering / operator like Basepoint or Flex space who offer smaller warehouse & light industrial units on shorter more flexible terms. If a facility were created this would prove very popular but is likely to be more suited to the main commercial centres.



7.10 **B) Eastbourne**

7.11 Eastbourne is the principle industrial centre by number of units in East Sussex with the main industrial location being either side of Lottbridge Drove, to the northeast of the town centre. The existing stock of buildings comprises a mix of older style large manufacturing buildings and complexes together with more modern purpose- built estates. Since the original 2001 Room to Grow Report, new development has taken place on the former Norit Bodycare site (5 acres) which now houses Brampton Business and Trade Parks, whilst a new estate of small industrial units has been built to the front of the former White Knight laundry building, now known as White Knight Business Park.

7.12 These two schemes have helped to push up rents in the town to £8.00-£10.00 per sq. ft from levels of £5.00-£6.00 per sq. ft in 2001 for Grade A and Grade B buildings, respectively. This level of rent has also helped to encourage other new development such as at neighbouring Polegate, where Polegate Business Park has seen significant new industrial and office development. It is also likely to attract further development from both local and national developers as well, at locations such as the TEVA building which is being sold for redevelopment.

7.13 Most commercial property transactions are leasehold with very few freehold opportunities due to historic single estate ownership but with increasing demand from companies looking to buy, although this could well change soon. Prices for Grade A new build are likely to be £160.00 per sq. ft upwards.

7.14 The other factor affecting this market is the lack of expansion room for either existing companies in the town and companies looking to relocate into the area. This has led to the demolition and redevelopment of brownfield sites which have their constraints, and these are not always ideal for existing companies as they do not generally allow for future expansion room. The town remains a strong location for industry and warehousing which would be enhanced with the release of greenfield sites, particularly in the Lottbridge Drove area.

New stock

White Knight Business Park, Eastbourne

Older/ageing stock

Maple Road, Eastbourne

7.15 **C) Lewes**

7.16 Lewes, despite its size, has 1.135miilion square feet of industrial and warehouse space. This compares with 1.669m sq. ft in nearby Newhaven. The units are mainly centred on the Cliffe industrial estate to the northeast of the town and centre in Brooks Road to the north west, respectively. The stock is generally modern, apart from the Phoenix estate which is due to be redeveloped.

7.17 Rents have risen significantly over the last 5 years, from levels of £6.00- £7.00 per sq. ft up to £11.00 per sq. ft for the Grade A stock driven by the limited availability of units as well as increased demand from the Greater Brighton area. This should lead to new industrial and warehouse development but again with limited land supplies, not already allocated for housing, this potentially could become a missed opportunity for new industrial and logistics development.

No new stock

Most modern / trade units at Southdown Business Park, Lewes

Typical units

Cliffe Industrial Estate, Lewes

7.18 **D) Newhaven**

7.19 Newhaven has traditionally been a manufacturing base, but this has changed over the last 20 years with the loss from the town of companies such as furniture manufacturer Bevan Funnell and Parker Pen. These companies have been replaced by smaller industrial and logistic companies with several smaller businesses being former employees of these companies.

7.20 The levels of rents have generally been much lower than surrounding towns caused by the existing ageing stock as well as the transport infrastructure. During the recession in 2008 rents on some units dropped to figures of £3.00 - £3,50 per sq ft and these have only recently increased to £7.50 per sq. ft at the new development at Eastside Business Park in Beach Road which has proved spectacularly popular with both local business as well as companies from outside the area looking to make use of the grants available via the Enterprise Zone status. (i.e., rates reductions).

7.21 The factors effecting new development in Newhaven have been a combination of complex ground conditions requiring piling and adding to the cost of construction and the low levels of rents which has made it unrealistic to develop. However, with the assistance of grant funding this has helped to kick start schemes such as Eastside Business Park and there is certainly potential demand for further new development around the Port area.

New stock

Eastside Business Park, Newhaven

Older/ageing stock

Rich Industrial Estate, Newhaven

7.22 **E) Uckfield**

7.23 Uckfield as an industrial and logistics location has proved to be popular despite being rural by comparison to the East Sussex Coastal towns. Most of the stock is modern but the lack of greenfield sites in the town has led to companies relocating further north to Ashdown Business Park outside Maresfield. This has been a successful and sought-after scheme and has allowed Uckfield based companies to expand and modernise their operations.

7.24 Rental levels have remained strong in Uckfield and the immediate surrounding areas which has allowed this new development to take place. However, there is still a shortage of other sites for development locally which might push existing occupiers away from the area altogether if this is not addressed.

New stock

Ashdown Business Park, Maresfield/Uckfield

Older/ageing stock

Bellbrook Estate, Uckfield

7.25 **F) Hailsham**

7.26 Hailsham comprises two main industrial areas around Diplocks Way and in Station Road. Most of the stock is not very modern, and the Diplocks Way estate is generally overcrowded both in terms of buildings and parking. There are more modern parts such as at Apex Park built in the 1980s and Ropemaker Park but there is again a shortage of expansion room for existing companies.

7.27 Rental levels are less than in Uckfield, reflecting the age and quality of the stock but there is definite scope as well as interest from developers in further new industrial and logistics development in this location. This may be partially addressed by the likes of Natewood Farm where there is planning for 87,900 sq ft but levels of demand would suggest that there is a need for more sites as evidenced by a recent search that SHW have undertaken for a company in the town looking to expand into about 80,000 sq ft.

New stock

Swallow Business Park, Golden Cross/Hailsham

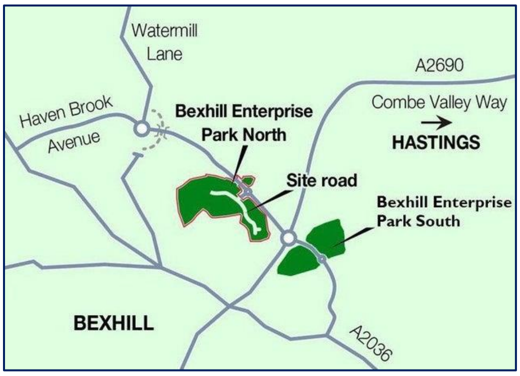
Older/ageing stock

Diplocks Way, Hailsham

7.28 **G) Bexhill**

7.29 The Bexhill industrial sector is fairly limited with several older buildings in the Brett Drive area being redeveloped with retail warehousing. The other main location at Beeching Road contained several older buildings such as the old Sharwoods Buildings which have now been demolished, offering the opportunity for new development. With the age and obsolescence of several buildings in this location, there is scope for new development for buildings of all sizes.

7.30 The local authority are the freehold owner of sites and buildings along Beeching Road, and they are keen to regenerate this location. The lack of freehold availability and the level of rents to date has perhaps deterred outside developers from investing in this location but as with other East Sussex Towns, demand is starting to outpace supply thus making a good case for new development.



No new stock

Bexhill Enterprise Park North planning appeal

Older/ageing stock

Beeching Road, Bexhill

7.31 **H) Hastings**

7.32 The industrial stock in Hastings and St Leonards is significant with this being formed of mostly older stock but with a number of purpose-built more modern buildings. Locationally Hastings, like Rye, is more difficult to access than most other East Sussex Towns with the main occupiers being locally based companies.

7.33 The levels of rents have not changed significantly since the original Room to Grow report which has meant that as and when older larger buildings have come to the market, they have been purchased by companies who have looked to subdivide the buildings into several different units rather than to redevelop. The other hindrance to redevelopment has been the lack of freehold availability as developers are not keen on long leasehold interests with high ground rents.

7.34 There is genuine demand in the area from local companies looking to expand but a lot of this is in the form of larger space requirements where the occupiers may not be able to afford the levels of rent required to justify new development, However, we still think that there is good scope for new development targeted towards the smaller occupiers in the 2500- 5,000 sq ft range who would be more able to afford higher rental levels.

New stock

Millwood House, Drury Lane, St Leonards

Older/ageing stock

Menzies Road, Hastings

7.35 **I) Crowborough**

7.36 Crowborough is probably not considered to be a traditional industrial location because of its geographical location but it serves a purpose, providing facilities for local business as well as for companies looking to relocate from more expensive locations to the north such as Tunbridge Wells. Equally the past availability of buildings in Crowborough has attracted companies to the south attracted by the lack of available stock in their own areas.

7.37 In addition, we are aware that Crowborough remains a strong attraction to trade operations but with limited opportunities for these types of business. Generally, companies within Crowborough have tended to be less keen to relocate out of the town probably due to staffing and cost issues but as with most East Sussex Towns currently there is a greater level of demand than supply for industrial property.

New stock

Travis Perkins

Older/ageing stock

Wealden Industrial Estate

8.0 EXISTING STOCK OF RETAIL PREMISES

8.1 A High Street is the heart of all Cities, Towns and Villages; it is where people come to work, rest and play. The High Street has had to overcome highs and lows for generations but has remained resilient and evolved and adapted.

8.2 There has been a slow decline in the traditional High Street which can be tracked back to the financial crisis of 2008. The early 2000's had seen a number of shopping centres and the expanding market of Out-of-Town retail being developed at times overexposing the High Street and pulling occupiers from the more secondary tertiary locations to Town Centres as supply increased. However, the financial crisis causing consumers to re-evaluate their shopping habits and rising rent and rates was the start of the High Street having to change and adapt.

8.3 The High Street is dependent on the wider economic profile of the City/Town and how shoppers spend their money. There is no hiding from the fact that the internet has become the High Street's biggest issue.

8.4 When the World Wide Web became open to the masses in 1993, Amazon were the first retailer to sell online and by 1995 there were approximately 16 million users with circa 3 billion today. Where else can you access 3 billion services(customers) from one place?

8.5 UK retailers were relatively slow to enter this market as it was not until 1997 – 1998 that the majority opened their online stores. During this time Amazon & Ebay were massively expanding, not only their name, but also their offering. Ebay controlling the second-hand market with Amazon taking longer to diversify from the online book retailer they were.

8.6 Companies, began to advertise offers online that were not replicated in the High Street and though shoppers still want to go and physically see and touch what they want to buy, they would then go home and order online, normally 10-20% cheaper. It may take a few days to arrive, but the saving on not only the cost of the item, but parking, bus, and train fares, more than made up for the delay in receiving the product.

8.7 Though the marketplace was changing, there was a culture of growing rents and rates, the rates being one of the main High Street issues. Bricks and mortar operators see that they are being penalised compared with the online retailers.

8.8 The past 12 months has accelerated the popularity of shopping online, with over 17,000 shops, restaurants and leisure outlets closing from our High Streets. Many of those have paid the price of not having a solid internet platform such as Debenhams, BHS, EWM and those that have been directly affected by solely online retailers, such as Arcadia. In a strange twist, various High Street names have been saved and bought by the online retailers such as Asos and Boohoo, but they have bought the name only and not the property portfolio.

8.9 The Food, Beverage and Leisure market has been affected greatly as well by the internet with the introduction of Deliveroo, Just East and Uber Eats to name a few. These companies have benefitted many restaurants and takeaways, as the more off pitch operators can now access a customer base where they normally would not; likewise, customers do not have to rely on going to the nearest sandwich bar as their options are now vast.

8.10 Many national companies such as Subway, McDonalds and Burger King have also entered the delivery market and have seen their turnover increase. The enforced lockdown has meant that all F&B operators have been solely sustained by the delivery market and some now are looking at moving away from Restaurant just to Takeaway.

8.11 As stated at the beginning, the High Street has learnt to adapt, and we would expect the same with operators changing to embrace the new norm.

8.12 **Repurposing**

8.13 With the change in the day to day working pattern it is important that Councils, Landlords and Tenants all work together to ensure the High Street remains viable. Yes, Landlords will have to accept a realignment of rents and lease terms more in favour of Tenants and this will be one of the biggest challenges.

8.14 The change in planning to Class E has certainly assisted and we now see more Doctors, Dentists and welfare operators enquiring about where they would not normally do so. There has also been an upsurge in Leisure and Food requirements.

8.15 Some new concepts are appearing on the retail scene, for example there are currently requirements for town centre space where the company delivers groceries to your door in a very short time frame as per Just Eat but for groceries.

8.16 The smaller independent Cinema and independent food operators are all coming into the market and looking at some of the larger spaces that they can carve out the space they need. For the Cinema, the challenge is their specific requirement and though not suitable for many units there are a number that can be adapted.

8.17 The main points to consider is to keep the 'dwell time' of shoppers up for the Centres giving people an excuse to stay. Therefore, flexibility will be the key to allowing new businesses in and shorter leases of 3-5 years will become more normal than they are at present.

8.18 The other aspect that needs to be looked at carefully is attracting a higher skilled workforce. This will transfer in to more spend per head and thus the vitality of the High Street for both the shopkeepers and leisure providers.

8.19 Some examples of Case Studies where retail has and will need to be repurposed are as follows:

8.20 **Eastbourne**

8.21 The TJ Hughes building on Terminus Road has been empty for more than a year. It is understood that Eastbourne Borough Council have been in discussions with the owners of the building to look at options for the site. The change in the Use Class system in September 2020, may assist in giving this building a new lease of life.

8.22 **Hailsham**

8.23 Hailsham is undergoing large changes to its town centre. Hailsham Aspires was created by Wealden District Council to bring forward plans that enhance and regenerate Hailsham Town Centre to support local communities now and into the future. The project involves creating a new town centre and at present this could be any one of three masterplan options. The development will include new retail, residential and green spaces.

8.24 **Hastings**

8.25 Debenhams in Hastings is set to close this year with the building being sold late in 2020. It is believed that the new owners plan to redevelop the building into a mixed-use scheme consisting of smaller retail units on the ground floor with residential accommodation above. This will prove to be a way forward for many large shops that close as it satisfies both the retention of the high street space and the demand for more housing.

8.26 Local authorities can assist the repurposing of redundant retail space with more lenient/quicker planning processes as well as potentially providing grants etc that will assist with redevelopment. The introduction of the E Use Class has and will assist with reletting redundant space that could now be occupied by the likes of Doctors, Educational providers, and Yoga teachers.

9.0 NATIONAL AND LOCAL PROPERTY DYNAMICS

9.1 **A) National**

9.2 **Offices**

9.3 The office market throughout the Southeast is struggling in most cases as more companies look at greater flexibility of working habits / agile working and more companies allowing staff to work from home at least part of their working week. This was becoming the norm before the pandemic, but the last 12 months has seen this fast tracked by 5-10 years. As a result, many companies are looking at downsizing their office requirements and these typically range from 40-60%.

9.4 However, many companies are willing to provide very good quality accommodation and fit-outs with large break out and touch-down spaces to create a buzz when staff do visit the offices. Also, many companies are seeking to upgrade the quality of their accommodation.

9.5 **Industrial / Warehouse / Trade**

9.6 The last 5 years has seen a steady increase in demand for space. This is mainly from warehouse / logistics and trade occupiers as opposed to light industrial and manufacturing. This is driven largely by good distribution but also by the increased reliance on parcel delivery and online deliveries. The pandemic has only increased the need and reliance on properties suitable for distribution / logistics. In general logistics operators require large yards for circulation of HGV's but also large car parking for delivery vans.

9.7 **Retail**

9.8 The High Street will remain tough for the next two to three years as operators seek to find their standing and customer base once again. There is real concern for many areas, especially in the North where a lower skilled workforce and so a lower spend per head has seen the High Street be decimated.

9.9 Retail & Leisure operators will be concentrating their expansions into the more affluent areas.

9.10 **B) Local – East Sussex**

9.11 **Offices**

9.12 The main office locations in East Sussex are Eastbourne, Lewes and Hastings.

9.13 Most of the East Sussex office stock is considered poor quality compared with the likes of Brighton & Crawley which has a more defined office market. This is most likely due to the poor connectivity to the likes of London and the rest of the South East. As a result, East Sussex is predominantly focussed on local demand rather than outside demand unless there is grant assistance. There are exceptions but these are mainly due to external grant assistance or where companies wishing to relocate or expand have constructed buildings for their own occupation as the rental tone is too low to sustain any new office development and barely high enough to sustain any comprehensive refurbishment. Stock is typically 1970's built or above retail.

9.14 Like the national trends we cannot see any increase in demand. As a result of low levels of demand, we think this will not result in any newbuild or refurbishment or upgrading of the existing stock unless there is grant assistance.

9.15 **Industrial / Warehouse / Trade**

9.16 The main industrial locations in East Sussex are Bexhill, Crowborough, Eastbourne, Hailsham, Hastings, Lewes, Newhaven, Polegate and Uckfield. These in the main are located along the principle East Sussex Road network of the A23, A22, A21 and the A259. Each of these towns contain a mixture of manufacturing, warehousing and logistics type businesses which are generally on purpose built industrial estates which range in age from the 1960's up to the present date. The estates and buildings also range in style, height, access, and parking arrangements depending on when they were constructed with buildings pre 2000 in the main being of brick and blockwork construction under asbestos clad roofs with low eaves heights, whilst buildings post 2000 have been profiled metal sheet clad with no asbestos unless installed in a tenant fit out. These more modern buildings have provided higher eaves heights of 5.5m plus.

9.17 Traditionally the Industrial estates in East Sussex would have housed manufacturing businesses with the estates being surrounded by or close to residential areas that provided the workforce for the businesses. In recent years, the type of business has changed firstly with manufacturing moving overseas to Asia and Eastern Europe and more latterly with the advent of the internet with the resulting demand for storage and logistics buildings.

9.18 Housebuilding and renovation of existing houses has also had an impact, increasing the demand for trade units and builders' merchants, as well as self- storage buildings, with each of the major towns in East Sussex now having a combination of these types of business. Most of these operations require new purpose- built buildings which are generally built now to a shell finish to allow maximum flexibility.

9.19 The main difficulties facing existing industrial and warehousing businesses in East Sussex currently are the existing transport networks which need significant improvement and the lack of land for new development and expansion. Generally, businesses today require 24-hour usage, 7 days a week, 365 days a year but the proximity of the industrial estates to housing and the lack of available sites on or adjacent to industrial estates has hampered the ability of businesses to increase production or expand. This combined with the lack of available greenfield sites for new industrial development in the face of residential competition has not been helpful for industry.

9.20 More recently and since the original Room to Grow report in 2002 there have been some encouraging signs of a change in these dynamics in East Sussex with new industrial and warehouse development having taken place in Maresfield (Ashdown Business Park), Newhaven (Eastside Business Park), Hailsham (Swallow Business Park), Polegate (Polegate Business Park) and Eastbourne (White Knight Business Park). Except for Ashdown Business Park, this has mostly been speculative development and the speed with which these schemes have been built and let has repaid the developers faith, in investing in building of these developments.

9.21 **Retail**

9.22 With Eastbourne, Hastings, Lewes, Hailsham and Uckfield being the main retail centres for East Sussex. Eastbourne with their reinvigorated Town Centre had a positive future. With the pandemic, this has been checked and indeed, as with many Towns in East Sussex lost several Household names. The infrastructure is however now in place and with the upgrading of the A27 will further assist in bringing Eastbourne back to where it was.

9.23 Lewes remains a strong market town and will expect this to continue.

9.24 Hastings, Uckfield, Hailsham will take longer to re-emerge but, as work from home becomes the 'norm' we would hope to see these areas come back, but it will need all parties to work together to achieve the right balance.

9.25 **C) East Sussex - Overall**

9.26 The past 12 months have seen the stable trend of the East Sussex Towns change. With the closure of many National operators, the Prime pitches has fundamentally changed. We do expect further changes by closures as the country comes out of lockdown and the moratorium of not forcing occupiers to pay rent comes to an end.

9.27 The Prime retail areas throughout East Sussex have been affected by not only the internet, but also the past 12 months. Secondary areas have not fared much better, it is the Tertiary market that has seen, in our view the largest growth. With many working from home and working from home indefinitely, people are therefore shopping closer to home. It is these areas that will continue to evolve over the coming years.

9.28 **D) Eastbourne**

9.29 Eastbourne had seen a rise in activity on the High Street following the £85m extension of the Arndale to The Beacon. This showed how the shopping centres are evolving, offering not only more floor space, but providing a better shopping experience with a dedicated leisure quarter and bringing Eastbourne's Cineworld to the Town Centre, with 8 screens. The Council's £6.2 million pound upgrade to Terminus Road was another positive for the Town Centre.

9.30 **E) Lewes**

9.31 Lewes is its own market, not having a shopping centre, but having the ability to entice tourists and shoppers from all over. Lewes retail has seen many fashion retailers come in such as White Stuff, Fat Face, Crew, Seasalt plus a host of independents. It is the independent market that thrives in their market as Lewes does have a very loyal customer base. They also introduced novel ideas such as the 'Lewes Pound' to keep people shopping locally.

9.32 **F) Hastings**

9.33 Hastings's retail has been a tough location for many years. Since Priory Meadow opened in 1997 the centre has not moved as this has had a lot to do with the Towns ability of pulling new shoppers in, despite the historic fishing area and tourist attractions. The road network has improved and with direct trains the future seems positive.

10.0 SITES WHICH ARE ALLOCATED, HAVE PLANNING OR ARE BELIEVED SUITABLE FOR COMMERCIAL USE

10.1 The Tables below identify several sites and properties across the East Sussex Region which are already allocated, have consented planning or which SHW consider to be suitable for commercial use. The Tables list the sites and properties by Local Authority and identify the potential site areas both in terms of hectares and acres. We have also commented on our understanding of the existing status for each of these sites or properties. In the final column of the tables', we estimate the deliverability of the various sites and properties in terms of how soon they could be developed, assuming a willing developer and a speedy planning process. These are in the ranges of 2-5 years (may already be under construction or have planning), 5- 10 years (may be allocated for employment but with no planning or have a reasonable chance of being developed subject to planning being obtained) and 10 years plus (unlikely to be developed in the foreseeable future).

10.2 The tables are not definitive in terms of total sites or properties but are based on information supplied by the respective local authorities, together with SHW's market knowledge of sites and potential sites across the county. It may be those other existing buildings like TEVA and Alfa Laval are released to the market in the foreseeable future which may add to prospective brownfield development sites.

10.3 We analyse the sites in the different Local Authority areas in more detail and comment on the adequacy of supply for future growth in section 11.00, below.

10.4 **Eastbourne District**

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
West of Lottbridge Drove / North of Hammonds Drive	21	52	Various site owners working together to deliver a new industrial focused scheme with positive pre-apps.	5 - 10 years
Sovereign Harbour (Site 6 And Site 7a)	3.2	8.0	Allocated for offices - lack of demand but interest in other uses	5 – 10 years
Town Centre (Development Opportunity Site 2 Land Adjoining the Railway Station and The Enterprise Centre	1.8	4.5	Allocated for offices - lack of demand but interest in other uses	10 years +
ESK Courtlands Road	1.25	3.1	Consent for residential but proving unviable for developers, so could be repromoted for employment like Southbourne Business Park opposite	2-5 years
Alfa Laval	1.4	3.5	Exiting the town in 2 years and interest from developers to redevelop into a multi-unit scheme	5 -10 years
Law Courts / Saffrons	0.5	1.1	Potential for office redevelopment instead of residential angle	10 years +
Teva	2.2	5.5	Exiting the town and under offer to a developer to redevelop	2-5 years
SGN (North of Finmere Road)	3.7	9.2	Decommissioned site with potential for industrial redevelopment with new access off Hammonds Drive	10 years +
Plots 2 And 8 on Southbourne BP, Courtlands Road	0.8	2.0	Two plots with potential to redevelop into a multi-unit scheme similar to rest of the estate	5 – 10 years
TOTALS	**35.85**	**88.90**		

10.5 **Lewes District / SDNP**

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Malling Brooks, Lewes	1	2.5	Consented site for sale	2-5 years
Land Adjacent to American Express Community Stadium, Falmer	0.6	1.6	allocated for B1a (offices), D1 (health/education) uses and/or other ancillary uses directly associated with the Stadium and/or Sussex and Brighton Universities.	5-10 years
New Business Space at Cradle Hill, Seaford	0.75	1.9	allocated for business development (Use Classes B1, B2 and B8)	10 years +
Eastside North, Newhaven	8.5	21	Allocated part employment with part residential consent but scope to create all employment	5 – 10 years
Land at East Quay, Newhaven Port	6	15	Remaining undeveloped land allocated for employment uses associated with Newhaven Port	10 years +
Shortgate Industrial Park, The Broyle	0.2	0.5	Consent to demolish existing site and replace with 2 B1/B2/B8 units	2-5 years
Bridge Farm, Barcombe Mills Road	0.2	0.5	Consent for two B1/B8 workshops	2-5 years
Norton Road Business Park, Norton Road	0.4	1.0	Consent for demolition of existing Unit D and erection of seven industrial/storage and distribution units (Class B2/B8)	2-5 years
TOTALS	**17.65**	**44**		

10.6 **Wealden District**

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Mountney Bridge / Westham Business Park	1.2	3.0	Scope to extend estate to the rear of the sites	5 -10 years
Chaucer Business Park, Polegate	1	2.5	Has consent for a new office block plus has plans to build more industrial units and has consent for 13 new light industrial units	2-5 years
Bluebell Way, Polegate	1.4	3.5	Residential planning condition to provide 20+ light industrial units on Phase 2.	2-5 years
Land Adjacent to Nash Street, Lower Dicker	4	10	Awaiting consent for development of 9,068 sqm of B1/B8 units	2-5 years

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Swallow Business Park, Golden Cross	4	10	Building out Phase 3 of industrial units with further land available on pre-lets	2-5 years
Knight Farms, Lower Dicker	16	40	Land potentially suitable for industrial development	5 – 10 years
Natewood Farm, A22, Hailsham	4	10	Consent to develop an initial 87,900 sq. ft on 5 acres with scope for a further 5 acres of industrial development, subject to planning	2-5 years
Woodside / Hailsham Roadways, A22	8	20	Pre-apps for redevelopment to employment	5 – 10 years
Ridgewood Farm, Uckfield	0.4	1.0	Over 1,200 sq. m of employment space to be delivered as part of wider residential scheme	2-5 years
Ashdown Business Park, Maresfield	1	2.5	Various serviced plots with consent to develop employment buildings	2-5 years
Five Chimneys, The Toll, Hadlow Down	0.8	2.0	Awaiting consent to demolish and convert poultry sheds into 21 business units	5 – 10 years
Ghyll Road Industrial Estate, Ghyll Road, Heathfield	0.8	1.0	Consent for proposed 2 no. business units comprising a total of 2,195 sq. m B1/B8 floorspace	2-5 years
C B Winter Turf Supplies, Common Lane, Berwick	1	2.5	Consent for new industrial buildings	2-5 years
TOTALS	**43.6**	**108**		

10.7 **Rother District**

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Rye Wharf	3.25	8.0	Various plots available to build employment space	2-5 years
Harbour Road, Rye Harbour	9.5	23.5	Virtually fully occupied but has Intensification opportunities	5 – 10 years
Johns Cross Café, Mountfield	0.4	1.0	Awaiting consent to build small business units	2-5 years
Bexhill Enterprise Park North	12	30	Reserved matters application to build 24 new business units as part of the Bexhill Enterprise Park North development	2-5 years

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Bexhill Enterprise Park South	12	30	Office sites available which can accommodate up to 220,000 sq. ft of business premises.	2 – 5 years
Beeching Road, Bexhill	1.21	3.0	Likely to come forward shortly for development (possibly retail) although there is a short-term tenant in part.	2-- 5 years
Compass Park, B2244, North of Cripps	4.4	10.87	Consent for 1,390 sq. m employment space	2-5 years
Marley Lane Business Park - Marley Lane (North Side), Sedlescombe	1.7	4.2	Virtually fully occupied - Intensify via o/s planning permission of 2,400sqm	2-5 years
TOTALS	44.46	**110.57**		

10.8 **Hastings District**

ADDRESS	SITE AREA (HA)	SITE AREA (A)	STATUS	DELIVERABILITY
Iberian Park, Ponswood Ind Est.	0.2	0.5	Development of small business units	2-5 years
Queensway North, Queensway	5	12	Allocated for Class B1, B2 and B8 employment uses	2 - 5 years
Land at the junction of The Ridge West and Queensway	3.37	8.3	Allocated for employment uses for 6,000 sq. m	5 – 10 years
Land in Whitworth Road, The Ridge West	2.51	6.2	Allocated for employment uses for 6,000 sq. m	5 – 10 years
Marline Fields, Enviro21 Business Park, Land west of Queensway	1.48	3.6	Allocated for employment and some remaining space suitable for up to 5,600 sq. m	5 – 10 years
Sites PX and QX, Churchfields	1.61	3.9	Allocated for employment uses for 6,900 sq. m	5 – 10 years
Land at Glyne Gap	3.23	8.0	Pre-app for various development uses including employment	5 - 10 years
Ivyhouse Lane, Northern Extension	5.8	14	Substantially Occupied - scope to expand into Rother land to the north	10 years +
TOTALS	**23.2**	**56.5**		

11.0 ADEQUACY OF SUPPLY FOR FUTURE GROWTH

11.1 Across East Sussex, SHW have identified a total of 163.15 Hectares or 406 Acres which have potential for development or redevelopment. This breaks down to 258 acres in Wealden, 217 acres in Rother,89 acres in Eastbourne, 64 acres in Lewes and 26 acres in Hastings. However, these bare statistics need breaking down into what realistically is likely to be developed when considering actual physical locations, prevailing levels of rents and prices, likely planning constraints and in some cases, actual ground conditions and how these impacts the cost of development.

11.2 Examining each Local Authority area in turn, we comment as follows:

11.3 **Wealden**

11.4 Of the 108 acres, 78 acres are taken up in sites with no current planning consent which may or may not obtain consent and some of which are likely, if developed, to be used for other purposes such as residential. Of the other sites, the Swallow Business Park (20 acres), is the most advanced in terms of development with Natewood Farm (potentially 10 acres) already having planning consent for 86,000 sq. ft of new development with works about to commence on construction imminently. Both should prove popular in current market conditions but are more likely to cater for smaller occupiers seeking 2,000 – 10,000 sq. ft due to the actual physical locations away from the main towns in the area. This leaves a potential gap for existing businesses looking for larger purpose-built facilities.

11.5 **Rother**

11.6 32 acres of the 110 acres are in Rye, mostly around the harbour and whilst this location has already been significantly developed, this in the main has mostly been targeted at more local occupiers due to logistical constraints with other parts of East Sussex and the UK. Bexhill has scope for new development but with the current level of rents for both offices and Industrial/Logistics, any new development may require pump priming in terms of grants and funding plus possibly an Enterprise Zone status, to make it cost effective for a developer to build.

11.7 **Eastbourne**

11.8 52 of the 89 acres in Eastbourne are off Lottbridge Drove which currently have no planning and are in different ownerships. However, this potentially could be a key site for Eastbourne with its sought-after location in occupier terms and access onto the main road network. Of the remaining acreage, 18 acres are currently existing buildings or brownfield sites which have the constraints of built-up areas, namely, the lack of expansion room, existing high site coverage which it is difficult to replicate when development takes place and potential hours of use and delivery restrictions for the benefit of neighbouring residential.

11.9 **Hastings**

11.10 Whilst the majority of the 56 acres are either allocated or have planning, the Hastings sites are affected by both topographical constraints as well as the viability of new development on anything but a small-scale scheme without grant funding for developers. The exception would be a new purpose-built facility for a company either expanding in the town or looking to relocate to Hastings who needed to be in the town. Existing large (20,000 sq. ft plus) buildings when sold tend to be subdivided into smaller sections rather than reoccupied by similar sized companies generally providing space for smaller businesses at a more economic level than a new build. This again counts against new development in this location.

11.11 **Lewes and Newhaven**

11.12 The bulk of the 44 acres is taken up in 36 acres in Newhaven around the Port and the new Port access road. Lewes has a very limited site availability which has led to a steep rise in rents in the last 5 years driven by the proposed development of older industrial areas in the town as well as from pressure from companies looking to relocate from Brighton where the availability is more limited for industrial and logistics stock. Newhaven has proved a popular location for new industrial development on the back of grant funding and the introduction of the Enterprise Zone status to most of the industrial area. We anticipate that further industrial and logistics development would work well in this location, particularly along the new Port access road.

12.0 RESPONSIVENESS OF THE PLANNING SYSTEM TO NEW DEVELOPMENT

12.1 New development currently faces many obstacles with developers being involved in putting forward reasoned cases for new development, where planning does not already exist, as is the case with several sites in the East Sussex area, as well as carrying out environmental and transport studies, at some cost and in many cases over a significant period of time. This can lead to missed property cycles and can make it difficult for potential occupiers to plan properly.

12.2 The last 12 months has been a massive challenge to the planning system with Covid-19 lockdowns forcing local authority planning teams having to work remotely and with planning committees having to make decisions on Teams or Zoom. Most local authorities have responded well to this challenge after a slow start in March 2020 but in many cases have had to play catch up due to the initial difficulties. As a result, many planning applications have experienced delays.

12.3 Recently many developers have experienced delays from Highways and other statutory Authorities in responding to newbuild scheme applications which has added further hold-ups. Later, delays are caused by Utility companies.

12.4 This, added to the delay in sourcing building materials during early covid, has led to development interruptions and generally slowed down the development process. The other issue that has arisen in recent years has been the loss of Local Authority planning staff who deal with daily planning applications, either to private practise or from the profession generally. This again has contributed to a perceived slowing down in the decision-making process with some planning applications dragging on for 12 months or more, rather than being decided within the agreed period. This is what owners, developers and occupiers find frustrating as the extended wait can lead to increased building costs and in some cases can lead to occupiers walking away from schemes, particularly if they are working towards a lease end or break.

12.5 The planning system needs to be rigorous but also flexible. What developers require is a fast turnaround for their planning applications and for planning decision makers to keep abreast of changing market conditions in the different sectors and allow for greater flexibility on uses such as the introduction of the E Class planning use by the UK Government in September 2020. The move from the High Street to the internet has impacted business both in a positive and negative way and flexible planning is vital to ensure that High Streets are reinvigorated, and growing internet-based businesses have the room to expand to.

12.6 For a major development with all the environmental requirements, highways / traffic reports and consultation, planning application, let alone the build, which often takes 12 months, it can often be 4 years from an initial application to the final scheme being ready to occupy which is simply far too long for any expanding occupier to wait and also does not meet the immediate demand.

13.0 IMPACT OF THE USE CLASSES ORDER SEPTEMBER 2021

13.1 **Actual Changes**

13.2 Changes to the Town and Country Planning (Use Classes) Order 1987 were implemented on the 1st September 2020. New regulation inserts new use classes E (Commercial, business and service), Class F1 (Learning and non-residential institutions) and F2 (Local community) and removes the old A and D use classes, with some of each being within the new classes, and modifies the B use class.

13.3 **Class E**

13.4 Subsumes previous use classes which were specified in Class A1(Shops), Class A2 (Financial and professional services), Class A3 (Restaurants and cafes) and Class B1(Business). This also includes some 'D' class uses:

- Display or retail sale of goods, other than hot food
- Sale of food and drink where consumption is mostly undertaken on the premises,
- Provision of the following kinds of services principally to visiting members of the public—
    - Financial services,
    - Professional services (other than health or medical services), or
    - Other services which it is appropriate to provide in a commercial, business or service locality,
- Indoor sport, recreation, or fitness, not involving motorised vehicles or firearms.
- Provision of medical or health services
- Creche, day nursery or day centre

13.5 Office, R&D and any industrial process uses that are carried out in any residential area will have to reason by noise, vibration, smell, fumes etc.

13.6 Class F1 and F2 subsume some of the previous use classes which were specified in Class D1 (Non-residential institutions) and Class D2 (Assembly and leisure).

13.7 **Class F1 - Learning and non-residential institutions**

- Provision of education
- Display of works of art (otherwise than for sale or hire)
- A museum
- A public library or public reading room
- A public hall or exhibition hall
- Public worship or religious instruction
- Law courts

13.8 **Class F2 - Local community**

- A shop mostly selling essential goods, including food, to visiting members of the public in circumstances where -
    - the shop's premises cover an area not more than 280 metres square, and
    - there is no other such facility within 1000 metre radius of the shop's location.
- A hall or meeting place for the principal use of the local community
- An area or place for outdoor sport or recreation, not involving motorised vehicles or firearms.
- An indoor or outdoor swimming pool or skating rink

13.9 **Sui Generis Uses**

13.10 This includes several uses which were previously within use classes, including pubs, takeaways, and cinemas.

13.11 **Issues Arising**

13.12 There is a "material period" from 1st September 2020 to 31st July 2021 which looks to be a transitional period for the old use classes to still be referred to, and for previous permitted development to still be able to be used (for example, to not continue to allow hot food takeaways to change to retail would have been a loss of flexibility). It also means that certain prior approvals remain. It is expected that the government will use the "material period" to update the General Permitted Development Order which will tidy things up.

13.13 This is very significant and has a substantial impact on planning policy. For example, many Councils have a retail policy which resists the loss of A1 or requires that it is a certain percentage of a frontage.

If the use can be changed without planning permission, then the policy has little or no teeth. Where some hesitation is suggested is where food is being sold and an extraction flue is required. These new powers do not remove the need for this to require planning permission or prior approval so the use being lawful does not mean that it can be practically implemented.

13.14 The intention appears to be not to completely pull the rug from underneath Councils. An Article 4 direction allows Councils to remove permitted development rights, and the “material period” allows for existing directions to continue during this time. However, there may be some unintended consequences. Many Councils restrict the change of use from office to residential, and this is intended to protect offices. If office space can be changed to a use which a Council would not usually protect (such as café, restaurant, or professional services) then is this a way to bypass the Article 4. At the point at which it is no longer offices then the Council may be more open to it becoming residential, albeit that the planning application process would need to be followed. This is worth exploring.

13.15 Class F2 is a new approach for the use classes order in that it introduces a spatial element to defining a use. Previously a shop was a shop wherever it is located, but we now see that certain shops are within Class F2 based on their size and how isolated they are from others. The definition of “essential goods” is likely to cause some problems. In any event, it appears that it is intended to ensure that shops in rural locations remain whereas those in urban areas can be treated more flexibly. However, there is a scenario where there are two shops nearby, so both would fall within Class E. If one shop changes to, for example, a creche, then the remaining one logically and immediately changes from Class E to Class F2.

13.16 **Impacts of the Use Classes order**

13.17 As with all legislation such as this there will be unintended consequences, which will become apparent once implemented. Overall, it appears to be a very good thing and should reduce vacancy at a difficult time, but during the “material period” certain things will remain as they are.

13.18 Councils will be digesting the legislation and what it means for them, and they will not like most of it. There will also be test cases over the next year as Councils seek to push back on some changes. It is likely that certificates of lawfulness will be required to minimise risk before a change is made.

14.0 IMPACT OF COVID 19

14.1 **A) Offices**

14.2 The office market in East Sussex was already considered poor. Many occupiers remain in ‘limbo’ in terms of the amount of office space they require moving forward and many have completely shut or massively scaled back their occupancy of offices due to working from home if feasible and social distancing. It is envisaged that working from home will become more common with many companies adopting an office to home working ratio of between 40-60%. As a result, many occupiers will look to downsize their long-term office needs when they are able to via lease events. However, in the short term while social distancing measures remain there may be less of a reduction in office need. Also, where occupiers reside in older buildings over multiple floors and multiple rooms rather than open plan it is harder to downsize while also maintaining social distancing, so these companies may take longer to adopt a reduction in workspace. However, in areas with better quality office stock, companies are generally looking at reducing their office holdings by anywhere between 20-40%.

14.3 **B) Warehouse / light industrial / trade**

14.4 The main impacts we have observed are firstly the requirement for increased space by manufacturing businesses to cope with the 2m social distancing regulations, this may be a short-term requirement and may subside when social distancing rules are relaxed but overall, we have found that many manufacturing businesses have fared better than expected during the pandemic with many expanding their operations rather than contracting, although unfortunately there have been some casualties.

14.5 Secondly, with retail businesses being forced to switch their operations to internet sales with the closure of High Street shops for long periods of lockdown there has been a marked increase in e-sales and the resultant increased in parcel and goods distribution from the likes of Amazon, DPD and Hermes. These and most of the parcel distribution operators were already looking at boosting their last mile logistics operations with large expansion plans. These were already in the pipeline before the pandemic but now all are finding that they have reached their 2-3 year ahead capacity and are now operating at overcapacity and are in desperate need of additional premises. The difficulty is finding stock, especially in East Sussex where the stock is generally poorer and less suitable to a distribution business requiring large yards and car parking. These operators have also had a massive impact on both keeping business running and meeting household needs via the supply chain and it is vitally important that premises are provided for them.

14.6 Thirdly, the increase in numbers of dark kitchens and grocery delivery businesses looking for accommodation and fourthly, from businesses looking to change their operations to cater for PPE and medical requirements, mainly generated by Government contracts.

14.7 Overall, warehouse, industrial companies and trade operations have been able to continue working through the various lockdowns which has meant that this sector has been buoyant at the expense of retail. This in turn has led to a shortage of available stock and a rise in the level of rents to reflect this.

14.8 **C) Retail**

14.9 The retail sector has been the most significantly impacted of all the market sectors by Covid-19 and the enforced lockdown periods. Certain retailers have been able to remain open during lockdown, namely those considered as essential services such as the food stores and pharmacies, whilst there has been an increasingly grey area during the most recent lockdown in 2021 with the likes of coffee shops, newsagents, hardware stores and health food stores remaining open.

14.10 Several household names Stores have closed on the High Street leaving some sizeable gaps. It is these units that need to re purposed as soon as possible. There are a growing number of new entries into the market including many Leisure operators which will assist.

14.11 Those with an internet presence have been able to keep some business going both on a retail basis as well as some fast-food operations via click and connect but the likelihood is that there will be large gaps in High Street frontages when retail can reopen.

14.12 Covid-19 has also accelerated the arrival of smaller online grocery delivery firms, initially in London but now spreading out to towns along the south coast. It will be interesting to see the impact that this has on food stores although the period of Covid-19 lockdowns has also seen increasing expansion by operators such as Aldi and Lidl, seeking a physical presence in towns across the country, but also the convenience operators, Co Op, Sainsburys & Tesco who are growing in the secondary locations.

15.0 ANNEXE

15.1 Acknowledgements of where SHW have relied on other research information:

A. To gather the unit sizes of all existing stock for analysis of grading etc, we have obtained this data from the Valuation Office Agency and from our own knowledge / data base.

B. To assess the potential future land availability, we have been supplied with data by Eastbourne, Lewes, Rother, Hastings and Wealden Councils and Locate East Sussex. We have also relied on our own market knowledge and data in respect of sites and buildings that have not yet been allocated.

C. To measure site areas of potential development sites we have gathered this either from our own knowledge / data or we have relied on available local authority planning documents or via Google or Land Registry to measure remotely if these figures were not readily available.

D. For current availability we have relied on the agency websites for Surveying firms covering East Sussex using buildings listed as being available for occupation within the next 6 months and not under offer, on 17th June 2021.