

East Sussex Commercial Property Review – July 2023

1. The information in this report is taken from data that SHW assembled from their Q2 2023 Focus documents, as well as from conversations local developer partners, Seachange, Westcott Leach, Formula Land (Polegate) Limited and other agents. This report covers the period from May 2023 up to July 2023.
2. The factors affecting the commercial property market have not changed a great deal since the last SHW report with inflation, rising interest rates and continued high energy costs being the main concerning factors. Added to these, is the rates revaluation that came into effect in April 2023.
3. The main impact on the commercial property sector continues to be on the investment and development sides where last September's mini budget sparked price reductions in some cases by as much as 10-20% and property and investment companies stepped back from either purchasing new investments or placing them on the market. This has also had impacts on the valuation of property holdings and the market to borrow from funding sources. There are some initial signs of improvement on this front with a few funds starting to test the market and with building costs either stabilising or in some cases correcting.
4. The retail sector remains difficult with close to 550 multiple retailer stores and 5,500 independent stores closed, up to February 2023, according to the Centre for Retail Research. This has been driven predominantly by the failure of Paperchase, M & Co, and a number of High Street bank closures. Paperchase and M & Co closed all their stores countrywide having gone into administration, though more locally the Seaford branch has been sold to an owner occupier and there is reported to be good interest in the Lewes store. A recent report from Lewes Chamber of Commerce highlights the fact that over 1/3rd of shops on the High Street are now empty.
5. Despite the gloomy outlook, the market is remaining resilient in terms of enquiries which have increased in 2023 with new retailers looking to enter the market and more established retailers looking to expand, such as Pets Corner, House of Tweed, Gails Bakery and Savers.
6. The rents for primary retail in Eastbourne remain 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 for secondary retail. In Uckfield, the Zone A rents are about £35-£45 per foot.
7. The office sector has continued to show signs of increased activity over the last quarter with a number of new requirements coming to the market in the main office locations. This has resulted in the letting of all the offices in Franklin House, a 10,000 sq. ft purpose-built office building at Chaucer Business Park in Polegate with the last lettings being at £20 per sq. ft, showing an increase in rental levels from the previous high of £16.50 per sq. ft in Ivy House in Eastbourne town centre.
8. However, as highlighted previously, the level of office rents in East Sussex generally do not justify new office development schemes, as rents of £28-£30 per sq. ft would need to be achieved to make these financially viable. Therefore, to retain offices within town centres, more effort and investment will be needed to retain existing offices, by ensuring that these are fit for purpose as well as being appealing to office staff. The increase in office rental levels may start to encourage owners of offices in the town centres not to

pursue the permitted development route, but this will also require office demand to continue to improve and put pressure on the available existing stock levels.

9. Elsewhere in the county, SeaChange developers and owners of offices in Hastings, Bexhill and Eastbourne report a steady flow of occupational enquiries for their office buildings in each of their locations. Enquiries had slowed down during April; however, they have returned to more normal levels post Easter.
10. Freedom Works in Hastings have commenced work on Floor 5 of their development which will provide additional managed workspace in Hastings.
11. The previously reported rise in building costs and the increased time taken to secure building materials for new development in all sectors, has started to abate slightly, although the costs are still on the high side, which has slowed down new development and, in some cases, stopped developers from progressing new developments.
12. The Industrial sector continues to outshine the other market sectors with evidence of significant lettings and planning applications being pursued for new industrial development in the first quarter of 2023. At Swallow Business Park outside Hailsham, East Sussex based Developers Westcott Leach have completed the construction and letting of a new 25,000 sq. ft building for Iride. In Eastbourne, ESCC and Go Plastic Pallets have between them leased parts of a 20,000 sq. ft warehouse building in Alder Close.
13. In terms of new developments, Formula Land have submitted a planning application for close to one million square feet of commercial buildings at the junction of the A22 and the A27, north of Polegate and other planning applications are anticipated shortly in the Wealden, Eastbourne, and Newhaven areas. In Lewes Buckingham AM have plans to develop a small unit scheme at Malling Brooks with an anticipated completion of Q4 2024. Westcott Leach have also acquired an additional 6-acre site in Newhaven at Eastside North to complement their existing fully let development.
14. In Rother, Locate is collaborating with a Landowner to progress a 15-acre site off Marley Lane, with interest from Developers and direct clients for regeneration of the former business park.
15. In Hastings, Hayland Properties report that they are back on track with new development building a unit of 5,300 sq. ft for Screwfix which will be commencing the construction of a new 10,000 sq. ft for Howdens, shortly. They have one block left of 14,000 sq. ft which they will also revisit. Similar to other developers they also report that building materials are still proving expensive.
16. Locate is also collaborating with a landowner across Hastings and Rother on a 32-acre site, which is allocated for commercial use on Ivyhouse Lane. We also recommended they use a local agent, rather than their current Essex based agent.
17. The lack of existing available stock and the continuing success of new speculative developments have continued to sustain the rental levels obtained in 2022 with scope for further increases in the remainder of 2023. The table below provides a comparison of rental levels from Q1 2023 to Q2 2023.

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

	GRADE A		GRADE B		GRADE C	
	Q1 2023	Q2 2023	Q1 2023	Q2 2023	Q1 2023	Q2 2023
East Sussex	£11.00	£11.00	£9.00	£9.00	£8.00	£8.00
Hastings	£11.50	£11.50	£8.50	£8.50	£6.00	£6.00
Eastbourne	£12.50	£12.50	£10.00	£10.00	£8.00	£8.00
Lewes	£13.50	£13.50	£10.00	£10.00	£8.00	£8.00
Wealden	£10.00	£10.00	£8.00	£8.00	£7.00	£7.00
Rother	£9.00	£9.00	£7.50	£7.50	£7.00	£7.00

18. In a variation of traditional industrial uses, Newhaven Enterprise Zone has submitted the marine workshops building as a Maritime hub. Lewes District Council is moving into the building this year and East Sussex College Group will run courses out of the marine workshops. Funding of £1.3m has been secured from the SELEP to transform the site. The workshops are targeted at the design, construction, maintenance and operation of environmental engineering, maritime products and services and marine technologies.
19. The establishment of the Newhaven Enterprise Zone and the associated funding has certainly helped to attract new businesses to Newhaven and the NEZ helps businesses to unlock potential development sites. It is also supporting the revitalisation and reimagining of Newhaven Town centre.
20. In conclusion the factors affecting the property sector both nationally and locally at the end of 2022 have in the main carried over into 2023, with inflation and energy costs being the main factors. Overall, 2023 has seen a more optimistic outlook than had been anticipated but depending on what happens to interest rates and energy costs, these will continue to have an effect.

Research sources:
 SHW Reports Q1 2023
 Seachange
 Westcott Leach
 Hyland Developments
 Formula Land (Polegate) Limited
 Stephen Pern
 Rutherford Business Park
 WDC
 Newhaven Enterprise Zone