

East Sussex Commercial Property Review – January 2024

1. The information in this report is taken from data that SHW assembled from their Q1 2024 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 August 2023 up to January 2024.
2. The factors affecting the commercial property market have not changed a great deal since the last report with inflation, rising interest rates and continued high energy costs being the main concerning factors.
3. The main impact on the commercial property sector continues to be on the investment and development sides are the continued relatively high interest rates. This has also had impacts on the valuation of property holdings and the ability to borrow from funding sources.
4. The retail sector remains difficult with some 2,139 multiple closures, and, 3,166 independent store closures to Oct 2023, according to the Centre for Retail Research.
5. Despite the continued general gloomy outlook, the market is remaining resilient in terms of enquiries which have increased in 2023 and established retailers looking for new opportunities such as Peacocks taking over the M&Co site in Bexhill.
6. Out of town drive throughs and leisure have been resilient and attracting ongoing investment as ROI has remained buoyant and occupation levels remain high.
7. 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 a slight increase from £345 to £50 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 sq foot.
8. The office sector has steadied over the last quarter with enquiries; however the whole year had the lowest take up of new space and availability over the last 5 years. Rents have remained steady with no increase in the last quarter 2023.
9. Tenancy occupation has remained steady with Pacific House in Eastbourne at 95% occupancy, Hastings Innovation Centre 85% occupancy and Bexhill High Weald House now at 65% occupancy given it was starting from 0 due to COVID, but with 4 tenants pending signed agreements which would take it to 80%. No increase in achieved rental rates. Newhaven Enterprise Centre is 90% occupied currently remaining stable. There is substantial churn within these figures with tenants being replaced on a regular basis.
10. Freedom Works in Hastings have commenced work on Floor 5 of their development which will provide additional managed workspace in Hastings. Existing floors 3 & 4 have reached highest occupancy level since opening.
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 mainly due to lack of available space not matching demand. Across Eastbourne/Polegate/Hailsham whilst availability was at its lowest level since 2018, demand remained high with required

demand being 5 times higher than availability. Despite this demand, rates remained constant with previous years ROI. Hastings' demand remains strong, and rates have shown a slight increase, mainly due to lack of available space driving up achievable rates. Newhaven/Lewes/Peacehaven has availability but mainly old stock that requires substantial investment to bring up to current standards. Due to this lack of suitable availability rental rates continue to show a positive increase for investors.

13. In terms of new developments, Locate introduced an Investment partner for 2 15 acre sites at Bexhill North through Seachange for commercial and social housing use. Formula Land (Polegate) Limited continue to have discussion with Wealden regarding the development of their 145 acre site on the A22 at Polegate.
14. Newhaven Enterprise Zone through their Stalled Sites Support Fund, with support from Locate, have redeveloped 2 properties that had been empty for over 12 months. Besides reinvigorating two properties, it also created 10 additional jobs for Newhaven businesses taking over these derelict properties.
15. Utility provision is having an effect on new development progression as UKPN connection costs for a new Newhaven development for Westcott Leach increased from £150,000 to £850,000 in 4 months. This has an impact on commercial viability. Their Bexhill North site is still awaiting the transfer of power provision, currently pending for April 2024.
16. In conclusion the factors affecting the property sector both nationally and locally during 2023 have in the main carried over into 2024, with inflation and energy costs being the main factors. Overall, 2023 has seen a steadying of the local commercial property marketplace, with opportunities still available for those businesses looking to expand.

Research sources:

SHW Reports Q1 2024

Seachange

Westcott Leach

Formula Land (Polegate) Limited

WDC

Newhaven Enterprise Zone