

Our Ref: PAR/JA

Your Ref:

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Planning Policy and Transport Service
Council Offices
Dutton's Road
Romsey
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The Property People

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14th June 2012

Dear Sirs

Romsey Town Centre – Office Market Study

The intention of this brief letter report is to provide an update on earlier reports which were prepared for you by the writer working at Goadsby. The original report was dated 20 December 2006 and the supplemental report was dated 19 August 2009. The purpose of the reports was to provide, from a surveyor's perspective, information and opinions relating to the office use demand and supply in the Town Centre of Romsey in connection with the preparation of the Core Strategy/Local Plan for the Borough. Submission is now proposed for 2013 and it was considered that the comments made in 2009 should be updated to ensure their full validity and their reflection of the market at the time of the examination.

The commercial property market suffered from the change in the economic climate later than the residential market. Even so the commercial property market has now been adversely affected for over four years. The current levels of activity are now relatively stable and consistent although they are very much lower than had been usual, prior to the economic crisis, which started in 2007 and is still continuing. Currently there is great uncertainty over the situation in the Euro zone which is having a significant effect on the economy of the United Kingdom.

Whilst it is true that the majority of Hampshire, including Romsey, is performing better than many other areas of the country, there is still very much less activity than one would normally expect and the market remains very depressed. The depression in the market is uneven with different sectors and different localities being more or less severely affected. Nevertheless, overall, there are far fewer transactions taking place and those which do take place are taking much longer from terms being agreed to the property changing hands.

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Whilst capital values have been severely affected by the recession, the affect on rental values has been even more pronounced. From my perception this appears to be partly due to the fact that the cost to a landlord of holding an empty property has become much higher with insurance companies putting increasingly onerous obligations, the liability to business rates on empty premises and management time meaning that there is a temptation to let a property at a minimal rent or with significant incentives in order to obtain occupation and avoid these costs. This does not mean that the asset itself is disposed of but only the currently onerous liabilities of the empty asset. The incentive to sell a property is reduced by the very limited interest which can be obtained on any cash balances released by the sale. Prices are affected by the perception, whether real or not, that finance for a purchase is difficult to obtain and a very high proportion of deposit is required to facilitate the obtaining of finance money.

It is interesting to note that in 2009 I commented that there was comparatively little change in the level of space available in Romsey Town Centre (as defined for the purposes of the study) and the same was also true of space within a two mile radius of the Town Centre. Again, one might have expected that with the continued difficult economic climate, there would be more vacant space now but this has not proved to be significantly the case. From an analysis of the Invest in Southampton website (www.invest-in-southampton.oc.uk) which shows properties for sale or let it is noted that in 2009 there was a total of 6,835 square metres (73,569 square feet) of office available within a two mile radius of Romsey, whereas at the moment the corresponding figures are 6,741 square metres (72,563 square feet). Clearly these figures may be slightly inaccurate in that they can be out of date and sometimes the website does not list every property but nevertheless, it provides a very useful comparison between the two dates. It is also interesting to note that of the space now shown as available, 1,536 square metres (16,537 square feet) appears to have been available on both dates although again it is possible that it is slightly different suites or combinations that are now available compared to 2009. Broadly however, I feel these figures show that take up in Romsey and its surrounding area has been very much greater than one would have expected over the past three years and that the property coming onto the market is keeping in reasonable balance.

The main thrust of this update is however, the central core of Romsey as indicated in blue on the plan appended to this letter report. Within that area there now appear to be five properties fully on the market. It should be noted that Suite 2, 35 The Hundred, Romsey (over Aldi) of 6,908 square feet remains empty but is not being marketed. It is understood the intention is to pursue planning for residential use – the property had been available for 42 months back in 2009. The other issue relates to 32 Bell Street where 2,927 square feet of accommodation is just about to come onto the market following refurbishment but is not yet fully available whilst an Energy Performance Certificate (EPC) is ordered and it is anticipated that it will be marketed fully in about a month's time. The accommodation will be available as individual floors (three floors) or as a whole and was available (unfurnished) in 2009. The space which is fully available is as follows:

Address	Size	Time on market	Comment
11 Latimer Walk	899 square feet	3 months	Lift / air-conditioning
4 Abbey Walk, Church Street	699 square feet	9 months	
3 Middlebridge Street	196 square feet	2 months	A single room being let on an inclusive basis.
1 Portersbridge Mews	1,743 square feet	12 months	There was a suite here of 1,025 square feet available in 2009.
Old Corn Exchange, 24 Market Place	1,459 square feet	9 months	To be refurbished prior to occupation.

At the time of the first study the average time a property had been on the market was 20 months. In 2009 this had dropped to 16 ½ months and now is 7 months although, of course, if Suite 2, 35 The Hundred had remained on the market that would have had a significant effect on the current figures. Had Suite 2, 35 The Hundred not been on the market in 2009 the average time on the market would then have dropped to 10.25 months. I think this is important to indicate show, how with a small statistical base one particular property can have a very significant effect on the statistics produced and how important it is therefore to carefully interpret the statistics produced.

Take up in the centre of Romsey has been better than one would have imagined, as indeed it has been in the two mile radius of Romsey. There is a steady turnover of properties although perception amongst agents is of a more stagnant market than seems borne out by the evidence. What has been a continuing trend however is the reduction in rent level being achieved for these office suites when one takes into account the incentives being offered to obtain occupation.

One of the difficulties in valuing in the current market is to know how much of the incentives being offered should be reflected in a devaluation of the rent used for comparability purposes. A particular problem is the rent free periods of up to a year on ever shorter leases.

The fact that there is a significant and regular uptake of space shows a fairly resilient local economy. The majority of the space in the Town Centre is of period offices located over shops which in theory are the least attractive option to tenants who prefer more open plan accommodation. The open plan accommodation gives more flexibility and can of course be subdivided to suit individual occupier departments. There are however, advantages to many business in being located in the Town Centre where there is however, a finite amount of office space. Hence the probable reason why there is a relative balance between supply and demand even in the current economic climate.

It seems appropriate to also continue the rental comparison chart with competing centres. It must again be stressed that these generalised comments are difficult but it is the comparability that is perhaps helpful and I set out again the relationships of rental value:

Town	2007	2009	2012	Change in value relative to 2007
<u>In Town</u>				
Romsey	£9 to £10	£10	£9 to £10	0%
Winchester	£12	£14 to £15	£11	-8%
Chandler's Ford	£12	£12.50	£10	-16.5%
<u>Out of town</u>				
Romsey	£13	£13	£12	-7.5%
Winchester	£16 to £17	£17	£16	-3%
Chandler's Ford	£14.50	£15	£10	-31%

The chart above illustrates how unevenly the effects of the recession are being felt – even over a very small locality. In each case there are specific reasons for movements in relative rentals. If a number of properties come on to the market at the same time, with a limited demand for them, the effect, unless they have related ownerships, is to cause prices to drop as each owner competes for the limited number of occupiers. It can be seen from the chart that out of town Chandlers Ford has been particularly affected with the less favoured aspects of certain developments, coupled with the limited demand, resulting in fierce ‘competition’ between owners for occupiers. In the case of the ‘in town’ offices generally the problem is particularly lack of demand for cellular offices which are not so well suited to current working practices.

The situation regarding availability of car parking continues to be very important although it is accepted that the more central a location, the less likely there is to be any or adequate car parking, allocated to a specific office. Occupiers therefore have to make a decision on the importance of having car parking on site relative to the importance of proximity to the Town Centre. Many smaller offices are occupied by proprietor run business and the attitude of the proprietor and, in practice, where the proprietor lives, tend to be of paramount importance.

It is very difficult to generalise concerning levels of office demand and the locations to which such demand relates. In respect of occupiers looking to the “centre” of Romsey, one would probably anticipate the central area being drawn less tightly than that adopted for the purposes of this study. For example The Horsefair falls outside the area edged blue on the Plan. There is significant office accommodation available at The Horsefair which most occupiers would regard as a Town Centre location. Equally however there is a perception that The Red House in Station Approach, which is close to the station, and comparatively central, but outside the area edged blue on the Plan would not be considered a Town Centre location. It is appreciated that any delineation on Plan will produce some issues along its boundary.

The demand for offices located over shops in the town centre is limited and it seems probable that this is a continuing change in demand rather than just the effect of the current economic cycle. This needs to be distinguished from demand for offices in the town which is stronger but suffers from lack of product. It is the lack of good quality product as much as town centre location and the issues, such as car parking, which has led to the relative popularity of the out of town centre or edge of town centre, offices.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Paul Russell'.

Paul Russell

Partner

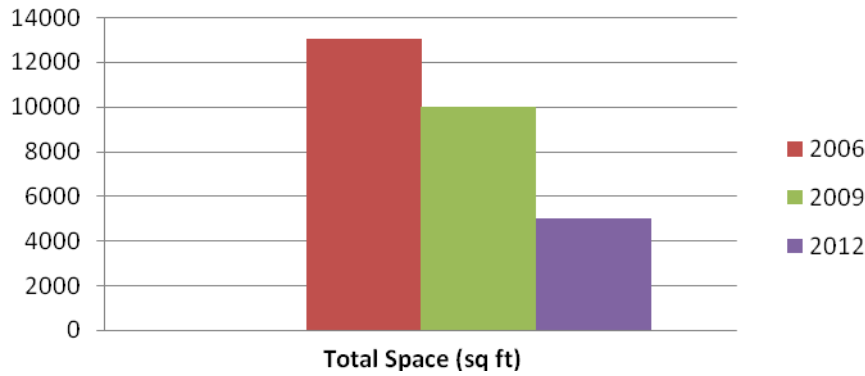
for and on behalf of Carter Jonas LLP

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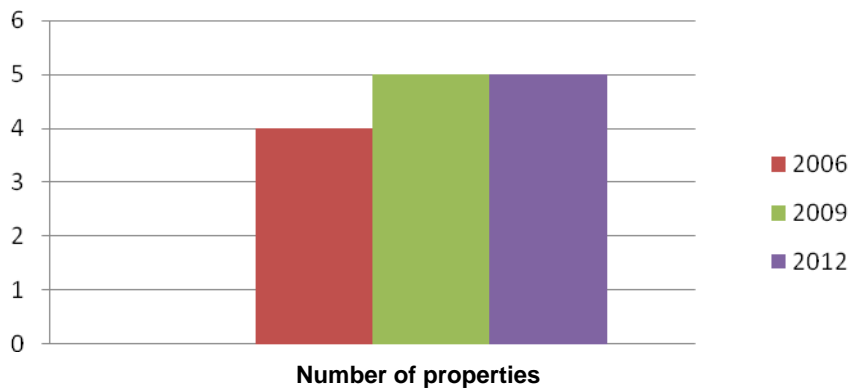
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TOWN CENTRE OFFICES: ROMSEY

Available stock in terms of total space



Available stock in terms of number of properties



Available time stock had been available

