

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - ECONOMY
11 NOVEMBER 2010

PROPERTY VOIDS AND DEBTS

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of the position regarding void properties as at 30 September 2010 and debts for the four quarters ending on the September 2010 quarter day.

VOID PROPERTIES

2.0 BACKGROUND

- 2.1 The situation regarding void properties as at 30 September 2009 was reported to the Scrutiny Committee – Economy on 12 November 2009.
- 2.2 For the purpose of the report a void is defined as any unused or un-let land or building which is not used for the provision of services but with the following assumptions:
- Includes commercial properties and undeveloped and surplus land
 - Excludes parks and community spaces, allotments and garden plots, grazing land, all highway land, pavement cafes, showcases, parking spaces and residential properties.
- 2.3 Any property remaining un-let for more than one year is treated as a long-term void for the purposes of this report.

3.0 LONG TERM VOIDS

- 3.1 The former council depot at Locarno Road remains empty. Operational use of the building ceased in 1990 and it has since been let to a brain injury charity (until 2000) and to the Steiner School (until 2007). There have been expressions of interest and viewings but as yet this hasn't translated into a letting and discussions with Planning Services have not led to any agreement on possible alternative uses either for the building or for the site itself.
- 3.2 The upper floors at 21a North Street remain available for office use, having been vacant since July 2009.
- 3.3 As well as the first-floor workshop and ground-floor store at 1a Hamlin Lane being available still, the ground floor has recently become vacant, and the whole of this building will therefore now be marketed.
- 3.4 The shop at 88b Beacon Lane has now been let to a Pharmacy.
- 3.5 The shop at 88 Fore Street has now been let to a Footwear and Clothing shop.
- 3.6 The long-term voids as at 30 September 2010 are summarised in Table A below.

Table A
Long term voids

Address	Area m ² Approx	Rental Value £	Date Vacated	Notes
Locarno Rd Depot	160	3,000	17/02/07	See note 3.1
21a North Street	33	2,250	28/07/09	See note 3.2
First Floor and Yard 1a Hamlin Lane	163	5,700	25/11/08	See Note 3.3
Total	356	10,950		

4.0 SHORT TERM VOIDS

- 4.1 Since the last report, three previously identified 'short term' voids have been let. These are the ground-floor shop at Verney House, 115 Sidwell Street, the shop at 1-4 King William Street and the premises at Swan Yard.
- 4.2 In addition, 118 and 183a Cowick Street both became vacant during the year and were re-let, 118 as a Canine Beauty Salon and 183a as a Human Beauty Salon.
- 4.3 Since the last report we have a further seven short term voids as detailed below.
- 4.4 2 South Street is let, subject to contract, to a Chinese Restaurateur.
- 4.5 7 South Street is let, subject to contract, to a Chinese Medicine Practitioner.
- 4.6 The ground-floor workshop of 1a Hamlin Lane is available to let either as an independent unit or together with the remainder of the premises (see 3.3).
- 4.7 89 South Street (previously the short-lived Polish Food shop) is available to let and is attracting interest.
- 4.8 120/121 Sidwell Street (previously Two Birds Photography) is available to let, but is proving difficult to dispose of. Nevertheless, we have interest which we would hope to translate into a letting before too long.
- 4.9 The first floor rear office, 115 Sidwell Street, is under offer to our Dentist tenant who wishes to expand from his surgery adjoining subject to planning permission.
- 4.10 The second floor office, 115 Sidwell Street, has only recently been vacated and is available to let.

Table B
Short term voids

Address	Area m ² Approx	Rental Value £	Date Vacated/Available	Notes
2 South Street	90	22,500	28/06/10	See note 4.4
7 South Street	56	19,500	28/04/10	See note 4.5
Ground Floor 1A Hamlin Lane	110	6,600	04/08/10	See notes 4.6 and 3.3
89 South Street	31	10,750	07/07/10	See note 4.7

120/121 Sidwell Street	117	19,950	19/02/10	See note 4.8
First-floor Rear Office, 115 Sidwell Street	21	2,000	03/07/10	See note 4.9
Second Floor Offices, 115 Sidwell Street	72	6,950	29/09/10	See note 4.10
Total	497	88,250		

5.0 UNDEVELOPED AND SURPLUS LAND

5.1 Since the last report no land in this category has been disposed of.

Table C

Land	Area Hectares	Descriptions	Comments
Exhibition Fields (Eastern Fields)	2.6	Development site	Linked to infrastructure provision

6.0 CONCLUSION

6.1 The position on void units compared to the four previous reports is:

Table D

	No of Void Units	Total Area of Void Units in m ²	Annual Rental of Void Units (£)
July 2006	13	2,964	210,750
January 2007	15	2,301	202,100
September 2007	4	325	79,950
September 2008	5	400	67,600
September 2009	8	836	81,450
September 2010	10	853	99,200

6.2 Given the national (and even local) picture on voids in the current difficult market, the overall position for the Council's commercial portfolio is far better than may have been feared a year ago. This has been achieved through securing re-letting of premises with as little delay as possible and through securing renewals on a number of properties where tenants could have vacated on expiry of their previous leases. Continued efforts will be made to tackle the three long term voids and to ensure that where short term voids occur new lettings are secured as soon as possible. The retail property market is still suffering from the effects of the economic downturn, but there are definite signs of recovery and consolidation within the sector. We are aware that a number of our commercial tenants are still finding it difficult to trade effectively in the current climate, and a number of existing leases are on the market. It remains to be seen how occupancy rates will hold up through these difficult trading times, but for the time being the Council is maintaining a very low rate of property voids relative to the size of the portfolio.

6.3 The rental value of current voids amounts to about 2.34% of the total rental value of the commercial portfolio. This is very low for a large and varied property base, particularly in the current market.

RENT AND DEBT COLLECTION

7.0 BACKGROUND

The table overleaf summarises the amount of rent invoiced for each of the four quarters up to the quarter ended 28 September 2010, and the outstanding amounts at various points up to the date of compilation, the 30 September 2010. The first three columns of the table summarise the invoices as sent; the fourth column the amount of rent outstanding at 28 days, along with the percentage of the original total which these figures reflect; the fifth at 90 days, and the final one as at the date of compilation of this table.

8.0 PERFORMANCE INDICATORS

- 8.1 Targets have been set for debt management where the rent is billed on a quarterly basis. The Council has agreed that debts outstanding 90 days after billing should be less than 2% of the total sum invoiced.

9.0 CURRENT POSITION

- 9.1 £186,260 outstanding at 90 days, reflecting 5.56% of the total invoiced on the M001-M006 cost centres is – although better than last year's figures of £200,834 and 6.23% respectively – far too large an amount of rent to have unpaid. However Committee will be aware of the continuing difficulties in the retail market and in any case will note that the total outstanding as at 30 September 2010 had reduced to 1.99% of the rents invoiced during the previous year.
- 9.2 Again during this past year the Council's portfolio has not suffered as much as have those of other large commercial landlords in the City. Three of our tenants have been made bankrupt during the period and although the rent debts of two of these will have to be written off the third is at present continuing to trade and to pay the rent due.
- 9.3 A number of other tenants continue to find life difficult and patience has been needed in the management of their rent accounts: this, though, is seen to be preferable to forcing the issue perhaps resulting in uncollectable rent debts and more void properties.

10.0 RECOMMENDED that:

- 10.1 the Report on Voids and Debts, reporting on the relatively robust performance of the portfolio against national and regional trends, be noted.

TABLE

**COMMERCIAL DEBT RAISED AND OUTSTANDING
AS AT 30 SEPTEMBER 2010**

Summary	Items	Amount	Outstanding at 28 days	Outstanding at 90 days	Outstanding as at 30.09.10
		£	£	£	£
Billed September 2009	217	687,892	126,439	57,703	3,395
% outstanding			18.38%	8.39%	0.49%
Billed December 2009	280	924,388	137,134	39,355	10,323
% outstanding			14.84%	4.26%	1.12%
Billed March 2010	251	1,001,119	401,326	46,109	13,786
% outstanding			40.09%	4.61%	1.38%
Billed June 2010	215	739,439	120,320	43,093	39,383
% outstanding			16.27%	5.83%	5.33%
Total	963	3,352,838	785,219	186,260	66,887
% outstanding			23.42%	5.56%	1.99%

MICHAEL CARSON
ACTING HEAD OF ESTATES SERVICES
ECONOMY & DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None