

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - ECONOMY
10 NOVEMBER 2011

PROPERTY VOIDS AND DEBTS

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of the position regarding void properties as at 30 September 2011 and commercial rent debts for the four quarters ending on the September 2011 quarter day.

VOID PROPERTIES

2.0 BACKGROUND

- 2.1 The situation regarding void properties as at 30 September 2010 was reported to the Scrutiny Committee – Economy on 11 November 2010.
- 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 offices at 21a North Street have been let, subject to contract, to a small local charity. However, an inordinate amount of time is being taken to complete this letting and we have to regard the premises as still being on the market.
- 3.2 89 South Street remains unlet for no obvious reason. It is perhaps too small a unit to appeal to someone wanting a standard sized shop, but we have had a fair bit of interest and an accepted offer in respect of a sandwich bar operation only failed to proceed to completion due to the unexpected serious illness of one of the parties involved. However, we are, as always, hopeful of an early letting.
- 3.3 The former Council depot at Locarno Road, reported last year, was finally let to the charity MIND for community purposes. Committee will recall that there really has been almost no interest in these premises since they last became vacant in early 2007, largely due to the very restrictive planning use attached to them. In the end it was felt sensible to allow MIND to take occupation at a minimal rent to remove from the Council the burden of the business rates and the maintenance/repair liabilities.
- 3.4 In April the whole of 1a Hamlin Lane (also reported last year) was let to an Events and Marketing company at the rent of £9,750 per annum.

3.5 The long term voids as at 30 September 2011 are summarised in Table A below.

Table A
Long term voids

Address	Area m ² Approx	Rental Value £	Date Vacated	Notes
89 South Street	31	10,750	07/07/10	See note 3.2 above
21a North Street	33	2,250	28/07/09	See note 3.1 above
Total	64	13,000		

4.0 SHORT TERM VOIDS

4.1 Since last year's report the following premises have been let:

2 South Street – Chinese restaurant
 7 South Street – Chinese medicine shop
 Ground Floor 1a Hamlin Lane – Events & Marketing company
 120/121 Sidwell Street – Turkish convenience store
 First floor rear office 115 Sidwell Street – dental surgery
 Second floor offices 115 Sidwell Street - registered charity offices

4.2 89 South Street remains unlet – see 3.2 above.

4.3 90/92 Fore Street (formerly Specsavers) is a new void. These premises are let, subject to contract, to a local charity for use as a retail shop. The legal formalities are taking far longer than usual, but we are hopeful of early completion here.

4.4 204 High Street (formerly Ernest Jones, jewellers) became vacant in May, and following interest shown by various parties it was agreed later that month to let the premises to a local bakery chain. However, after a couple of months of progress towards completion they decided after all not to proceed. The premises are therefore still on the market and we would hope for renewed interest shortly. A short term Christmas let has been arranged in the meantime.

4.5 87 South Street became vacant in June when the tenant, a tanning shop proprietor, became bankrupt. Interest is continually being shown and an early re-letting is hoped for.

4.6 174/175 Cowick Street, previously used by the Police and Traffic Wardens as their St Thomas Centre, became vacant very recently and is re-let, subject to contract, for use as a Polish food shop.

4.7 The Swan Yard Warehouse had for many years been the home of Bartletts the printers, but their parent company has recently been reorganised and the operation at Swan Yard has ceased. The premises became vacant in April and discussions have been taken place with Turntable, the furniture recycling charity, with a view to their taking a tenancy when they leave their current premises at Tan Lane. For this reason these premises are not being actively marketed.

4.8 During the year 12/13 South Street, previously an estate agency, became vacant and this has been re-let to a fish pedicure business.

Table B
Short term voids

Address	Area m ² Approx	Rental Value £	Date Vacated/Available	Notes
90/92 Fore Street	510	70,000	01/05/11	See note 4.3 above
204 High Street	119	69,950	07/05/11	See note 4.4 above
87 South Street	65	21,150	16/06/11	See note 4.5 above
174/175 Cowick Street	207	23,000	29/09/11	See note 4.6 above
Swan Yard Warehouse	848	20,000	11/04/11	See note 4.7 above
Total	1749	204,100		

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 (£)
September 2007	4	325	79,950
September 2008	5	400	67,600
September 2009	8	836	81,450
September 2010	10	853	99,200
September 2011	7	1813	217,100

6.2 Our embarrassment this year results from two of our most highly rented properties being returned to us through the operation of “break” clauses in the leases. Specsavers have moved to a more prestigious location in the High Street and Signet, the parent company of Ernest Jones, have moved that business into a larger refurbished flagship unit previously occupied by H Samuel, another of their businesses, next door to Marks & Spencer. Marketing of both these shops had been going well and the notes above explain the positions here. This is especially frustrating because, were it not for these two very large rent voids, the current situation would be an enviable one for any landlord to be in with the void units representing only £77,150 per annum in lost rent – and most of these voids actually being let, subject to contract. As with the position this time last year, the ratio of voids to fully let properties is extremely low.

- 6.3 The market, however, is still difficult. We know that there are premises being returned to us during the coming year and although there is an ever increasing interest from purveyors of ethnic foodstuffs for example, this interest may well not be enough to fill all of the shops which will become available: it is almost certain that any shops which are re-let will be done so at a lower rent than is currently passing.

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 2011, and the outstanding amounts at various points up to the date of compilation, the 30 September 2011. 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 £117,730 outstanding at 90 days, reflecting 3.78% of the total invoiced on the M001-M006 cost centres is – although better than last year's figures of £186,260 and 5.56% 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 2011 had reduced to 1.02% 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. However, one of our tenants has been made bankrupt during the period and his rent debts will have to be written off.
- 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 2011**

Summary	Items	Amount	Outstanding at 28 days	Outstanding at 90 days	Outstanding as at 30.9.11
		£	£	£	£
Billed September 2010	215	704,629	Not Available	32,846	5,374
% outstanding			Not Available	4.66%	0.76%
Billed December 2010	225	689,861	137,307	36,623	2,959
% outstanding			19.90%	5.31%	0.43%
Billed March 2011	256	923,512	279,620	24,257	0
% outstanding			30.28%	2.63%	0.00%
Billed June 2011	232	796,369	103,324	24,004	23,425
% outstanding			12.97%	3.01%	2.94%
Total	928	3,114,371	Not Available	117,730	31,758
% outstanding			Not Available	3.78%	1.02%

The unavailability of the figures in the 28 day column results from an apparently very unlikely amount being reported by ASH on being interrogated as to the state of the account as at that date – possibly due to a temporary misallocation: this will probably only have shown for a short time and in any case will have been corrected by the time of the 90 day interrogation. Although obviously the Total Outstanding (together with the Total % Outstanding) at 28 days as against the Total amount billed over the previous four Quarters can also not be reported, none of the remaining figures are affected.

MICHAEL CARSON
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Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:- None

13/10/2011 - 3