

EXETER CITY COUNCIL**SCRUTINY COMMITTEE - ECONOMY
08 NOVEMBER 2012****PROPERTY VOIDS AND DEBTS****1.0 PURPOSE OF REPORT**

- 1.1 To inform Members of the position regarding void properties as at 30 September 2012 and commercial rent debts for the four quarters ending on the September 2012 quarter day.

VOID PROPERTIES**2.0 BACKGROUND**

- 2.1 The situation regarding void properties as at 30 September 2011 was reported to the Scrutiny Committee – Economy on 10 November 2011.
- 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 There are no long term voids at present: none of last year's short-term voids "progressed" to long term and two long term voids reported last year were subsequently let – 89 South Street as a Sweet Shop and the offices at 21a North Street to a Charity working with recovering alcoholics.

4.0 SHORT TERM VOIDS

- 4.1 Since last year's report the premises listed under this heading have all been let as follows:

90/92 Fore Street – Charity shop
204 High Street – Frozen Yoghurt and Fruit Teas shop
87 South Street – Nail Bar/Beauty Parlour
174/5 Cowick Street – Ethnic Food shop
Swan Yard Warehouse – Charity Workshop & Sales

- 4.2 The details of the new short term voids are as follows:

- 4.3 88 Fore Street – traded as a clothes shop for two years but never managed to thrive and the tenant was allowed to break his lease and leave. Money is owed. Negotiations are proceeding for a short term let but to date no long-term interest has been received.
- 4.4 88 South Street – this estate agency had been struggling to survive here for some years and the tenant decided to exercise a break clause to allow him to leave at the end of December 2011 – no rents are owed. We have not had a huge amount of interest in these premises, but they are in a fairly good secondary location, are well presented and we hope to be able to re-let them before too long.
- 4.5 82 South Street – previously The Mortgage Shop. In these straitened times the tenants here decided, as did the tenants of 88 South Street above - a related user – to activate a break clause in their lease. Again no rent is owing and as yet no serious interest has been shown in the premises. However we are of course hopeful of re-letting this shop shortly.
- 4.6 Swan Yard Workshop came back to us in April following the sad death of one of our tenants. Several people have shown interest in taking a new lease of the premises and lawyers have now been instructed on a re-letting – subject to planning approval – as an Artists’ Studios with ancillary Tattooing.
- 4.7 During the year the following properties became vacant and were re-let:
 87 Fore Street – was a Toy Shop and is now a Hairdressers;
 77/78 South Street – was a Chinese Restaurant and is again;
 1a Hamlin Lane – Events and Marketing Company is now a Domestic and Commercial Contract Cleaning Company.
- 4.8 The short term voids as at 30 September 2012 are summarised in Table B below.

Table B
Short Term voids

Address	Area m² Approx	Rental Value £	Date Vacated/Available	Notes
88 Fore Street	85	28,000	01/09/12	See note 4.3 above
88 South Street	90	20,500	25/12/11	See note 4.4 above
82 South Street	72	18,850	16/04/12	See note 4.5 above
Swan Yard Workshop	146.5	7,250	22/04/12	See note 4.6 above
Total	393.5	74,600		

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 2008	5	400	67,600
September 2009	8	836	81,450
September 2010	10	853	99,200
September 2011	7	1813	217,100
September 2012	4	393.5	74,600

6.2 The inclusion of 204 High Street and 90/92 Fore Street on the Voids last year resulted in an unusually high loss of rent being suffered. This year with fewer voids and with, happily, no very highly rented properties empty, the picture is much better. However, the market is still slow and jittery, and we are having to accept lower rents than previously on re-lettings and several of our tenants are known to be trading at worryingly low levels. Although, being keen to avoid voids as far as possible, we are occasionally coming to agreements with certain tenants concerning their contractually agreed rents. We are not yet having to compromise radically on our rent levels in order to re-let our properties. This can be seen by reference to the total amount invoiced column in the Commercial Debt table at the end of this report.

7.0 RENT AND DEBT COLLECTION

Background

7.1 The table (appendix1) summarises the amount of rent invoiced for each of the four quarters up to the quarter ended 28 September 2012, and the outstanding amounts at various points up to the date of compilation, the 30 September 2012. 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 £270,181 outstanding at 90 days, reflecting 8.23% of the total invoiced on the M001-M006 cost centres is very much worse than last year's figures of £117,730 and 3.78% respectively and far too large an amount of rent to have unpaid.

- 9.2 The commercial letting market is generally still in a pretty poor shape although this may not be obvious to the casual observer. The office market in particular is, and has been for some time, somewhat moribund with an oversupply and little movement and even certain of the shop premises apparently re-let over the past year have been done so on terms which are very favourable indeed to the tenants simply in order to minimise the extent of the voids. ECC owns very few offices and in any case most are occupied by charities with the rents being guaranteed by grant. Although there is a large amount of debt being incurred by certain of our shop tenants we have chosen not to create further voids by repossessing unless absolutely necessary: Whilst the tenant remains in the property he is liable for both rent and rates payments and there is at least a chance that these will be repaid if the debting tenant can hang on and trade his way out of his current difficulties.
- 9.3 Of the £143,788 outstanding as at 30 September, some £50,000 owed by two tenants alone has been, or is in the course of being, collected in full.
- 9.4 Three further tenants who between them account for another £39,000 appear to be trading sufficiently well to pay their rent – although on a somewhat haphazard basis: these, along with all other tenancies, are being monitored and their rent debts do not appear to be increasing.
- 9.5 The remaining debtors are mostly those who have not yet managed to pay the full sum of their June quarter's rent.
- 9.6 As noted above, all of these debts continue to be monitored and appropriate action taken when thought to be necessary.
- 9.7 Committee will no doubt note that we continue to invoice and receive well over £3M in respect of these cost centres.
- 10.0 RECOMMENDED that:**
- 10.1 The report on Voids and Debts be noted.

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

Background papers used in compiling this report:

None

Appendix 1**COMMERCIAL DEBT RAISED AND OUTSTANDING
AS AT 30 SEPTEMBER 2012**

Summary	Items	Amount	Outstanding at 28 days	Outstanding at 90 days	Outstanding as at 30.9.12
		£	£	£	£
Billed September 2011	225	786,053	155,612	64,824	5,446
% outstanding			19.80%	8.25%	0.69%
Billed December 2011	228	703,085	113,617	65,218	30,657
% outstanding			16.16%	9.28%	4.36%
Billed March 2012	289	1,128,614	219,799	84,368	52,065
% outstanding			19.48%	7.48%	4.61%
Billed June 2012	222	666,842	137,043	55,771	55,610
% outstanding			20.55%	8.36%	8.34%
Total	964	3,284,594	626,071	270,181	143,778
% outstanding			19.06%	8.23%	4.38%