

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - ECONOMY 14 NOVEMBER 2013

COMMERCIAL PROPERTY VOIDS AND DEBTS

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of the position regarding void commercial properties as at 30 September 2013 and the current commercial rent debt situation.

VOID PROPERTIES

2.0 BACKGROUND

- 2.1 The situation regarding void properties as at 30 September 2012 was reported to the Scrutiny Committee – Economy on 8 November 2012.
- 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 Whereas last year there were no long term voids, this year we have one, 82 South Street. These premises were off the market between May and September as they were going to be taken by someone to use as a Tanning Salon; however at the last minute this gentleman decided to apply for 79 South Street instead and we are now remarketing 82.
- 3.2 The long term void as at 30 September 2013 is summarised in Table A below.

Table A - Long Term voids

Address	Area m ² Approx	Rental Value £	Date Vacated/Available	Notes
82 South Street	72	17,150	16/04/12	See note 3.1 above

4.0 SHORT TERM VOIDS

- 4.1 Last year's short term voids have been let (except for 82 South Street) as follows:

88 Fore Street – Hearing Aid shop
88 South Street – African restaurant
Swan Yard Workshop – Tattoo Parlour

- 4.2 The details of the new short term voids are as follows:
- 4.3 21 North Street has been a Nail Bar for some years and the tenant, at the end of the lease, decided to move to larger, better located premises at the top of South Street. It is, subject to contract, now let again for another Nail Bar user.
- 4.4 204 High Street enjoyed a very short life as a Frozen Yoghurt & Fruit Teas shop until the business folded in August with considerable debts. We repossessed the premises in September and we have just begun the process of remarketing. Some interest has already been shown, and a short-term let to Calendar Club agreed in the run up to Christmas.
- 4.5 143 Sidwell Street was, until August, a Hearing Aid shop (Amplifon); they have relocated to 88 Fore Street (see 4.1) and is now on the market with little interest as yet having been shown.
- 4.6 2 South Street, most recently let as a Chinese Restaurant was repossessed in July as the tenants had deserted the premises leaving rent debts. It is now re-let, subject to contract, to an Off Licence and Bar for Craft Beers.
- 4.7 12/13 South Street was left for a short time as a Fish Pedicure business. Unfortunately, the people of Exeter did not take to it and the premises are now on the market again. Interest has been shown, but meanwhile the shop is being used by charities – paying no rent, but removing from the Council the onus of having to pay Business Rates.
- 4.8 79 South Street. The tenants, a barbers, left the premises in August and they are on the market: as in 4.7 above, there is a charity currently in occupation and proper commercial interest is being shown.
- 4.9 Rougemont House. Until recently used by the Council's Museums Service, these premises, having been declared surplus to requirements, are now in the process of being sold on a 125 year lease for education purposes.
- 4.8 The short term voids as at 30 September 2013 are summarised in Table B below.

Table B - Short Term voids

Address	Area m² Approx	Rental Value £	Date Vacated/Available	Notes
21 North Street	35	5,700	18/09/13	See 4.3 above
204 High Street	119	55,000	17/09/13	See 4.4 above
143 Sidwell Street	63	20,000	01/08/13	See 4.5 above
2 South Street	96	22,000	15/07/13	See 4.6 above
12/13 South Street	87	19,000	29/07/13	See 4.7 above
79 South Street	78	17,000	23/08/13	See 4.8 above
Rougemont House	-	Premium to be paid	Nov. 2013	See 4.9 above
Total	478	138,700		

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 – this in turn is being delayed by ongoing village green registration process.

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 2009	8	836	81,450
September 2010	10	853	99,200
September 2011	7	1813	217,100
September 2012	4	393.5	74,600
September 2013	7	478 + Rougemont House	138,700 + Rougemont House

6.2 Although the number of void properties remains a relatively small proportion of the Council's commercial estate, it is still higher than we would wish. Having said that, several of these properties are now under offer, and there is interest in others. We would hope to be able to keep these voids to a minimum over the coming year.

RENT AND DEBT COLLECTION

7.0 BACKGROUND

Previously debts have been reported in a tabular form which has set out the number and value of invoices raised over the four quarters beginning 29 September annually together with the amounts outstanding at 28 days, 90 days and on the 30 September. The amounts reported on related to the total number of invoices raised against the cost centres M001 – M006, and each of the "outstanding" figures was accompanied by the relevant percentage of the invoiced amount which remained outstanding.

8.0 THE NEW TABLE

8.1 In keeping with the way in which similar sets of figures are now reported to the various Committees the table as set out at the end of this report simply shows the totals outstanding broken into various invoiced amounts, within a series of age ranges from "up to 29 days" after invoicing to "1828+ days" after invoicing.

- 8.2 Since the 15 March 2013 all invoices relating to commercial properties and emanating from Estates Services have been included under an “umbrella” code, and all of these invoices which remain unpaid appear within the new table. Prior to that date the only invoices included in the table are those which were sent out under the M0 cost centres. The table does not, therefore, give a true picture of commercial rent debts originating before 15 March 2013, and will not until all debts in respect of invoices during the period prior to that date have been settled in some way.
- 8.3 Because the new table reports on different cost centres at different times, the total of the debts briefly listed below will exceed the total recognised by the new table. However, the report on the current position will provide a picture of both current debtors and those which are more historic in nature.

9.0 CURRENT POSITION

- 9.1 The date of the compilation of the table is 15 October 2013.
- 9.2 The £350,849.70 outstanding from the “up to 29 days” and the “30-59 days” bands of invoices consists almost entirely of the rent due for the quarter beginning 29 September and cannot properly yet be regarded as debts: moreover the total of invoices outstanding (161) is misleading and doesn’t reflect the number of debtors, since many of our commercial tenants receive two invoices each quarter – one for rent and another for insurance.
- 9.3 Of the £221,582.29 “properly” outstanding and where the debtor owes £5,000 or more:
- 9.3.1 Three of our continuing tenants owe between them £61,273.30: in a better market we would have probably repossessed their premises by now, but these tenants are at least paying some rent, are liable for the debt and were we to repossess we would (a) probably have difficulty in re-letting quickly on satisfactory terms and (b) be responsible for a substantial business rates bill whilst the premises remained empty;
- 9.3.2 A further eight previous, or about to become previous, tenants owe between them £165,377.67. These debts are in the hands of Legal Services and are being pursued;
- 9.4 The debt situation is not good but because of the change in the form of the table produced, cannot be sensibly compared with the levels of debt reported previously. When a business folds it is almost always because it is not making money and by the time this becomes obvious debts (not of course only rent debts) have accrued. We are patient with our tenants (rather more patient than many of them would admit), but when we feel that bailiff action would be useful then that is how we proceed. However, if there is simply no money in the business and there are not enough goods of easily realisable value on which to distrain, then this is not always effective. In any case, a struggling business – even if it is intent on survival – will not be able to satisfy the bailiff’s demands. We allow such struggling businesses to carry on as long as possible before, say, taking repossession of the premises, but it is always difficult to maintain the proper balance between Voids and Debts – the harder we come down on debtors who are still trading the more void properties we have.
- 9.5 To put the rent and insurance debt as reported into perspective, the annual rental from the Council’s investment properties currently runs at approximately £3,713,000.

10.0 RECOMMENDED that:

- 10.1 The Report on Voids and Debts be noted and that the Scrutiny Committee – Economy comment on the information provided.

**MICHAEL CARSON
PROPERTY MANAGER**

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

Aged Debtors Banded Summary Report

Use Invoice Date, Include disputes, Include legal,

Aged debtors totals as at 15/10/2013 10:57

Age Range	£0 - £50		£50 - £250		£250 - £1000		£1000 - £5000		£5000 - £10000		£10000 +		Total	
Upto 29 days	£38.03	3	£493.89	4	£3,532.45	6	£12,620.83	7	£0.00	0	£50,238.47	3	£66,769.54	23
30 - 59 days	(£14,793.24)	40	£1,948.68	18	£10,123.08	17	£112,140.11	48	£68,685.03	11	£105,976.50	4	£284,080.16	138
60 - 89 days	£0.00	0	£323.63	2	£1,513.69	2	£3,230.10	2	£0.00	0	£0.00	0	£5,067.42	6
90 - 119 days	£25.34	1	£0.00	0	£0.00	0	£1,098.56	1	£0.00	0	£0.00	0	£1,123.90	2
120 - 365 days	(£10,180.52)	23	£1,049.01	10	£7,800.17	13	£49,027.83	17	£82,075.00	12	£0.00	0	£129,771.49	75
366 - 731 days	£58.66	4	£423.77	4	£1,173.90	3	£25,793.39	7	£29,000.00	4	£0.00	0	£56,449.72	22
732 - 1096 days	£7.50	1	£0.00	0	£925.26	1	£0.00	0	£0.00	0	£0.00	0	£932.76	2
1097 - 1461 days	£7.50	1	£156.30	1	£623.82	2	£4,868.64	2	£13,064.22	2	£0.00	0	£18,720.48	8
1462 - 1827 days	£7.50	1	£0.00	0	£750.00	1	£3,032.11	1	£5,701.07	1	£0.00	0	£9,490.68	4
1828 +	£25.84	1	£0.00	0	£0.00	0	£0.00	0	£0.00	0	£0.00	0	£25.84	1
Total	(£24,803.39)	75	£4,395.28	39	£26,442.37	45	£211,811.57	85	£198,525.32	30	£156,214.97		£572,431.99	281