

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - ECONOMY
13 NOVEMBER 2008

PROPERTY VOIDS AND DEBTS

1.0 PURPOSE OF REPORT

- 1.1 To inform Members of the position regarding void properties as at 30 September 2008 and debts for the four quarters ending on the September 2008 quarter day.

VOID PROPERTIES

2.0 BACKGROUND

- 2.1 The situation regarding void properties as at 30 September 2007 was reported to the Scrutiny Committee – Economy on 7 November 2007.
- 2.2 For the purpose of the report a void is defined as any unused or unlet 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 last report featured only one long term void across the portfolio, being the shop at 118 Cowick St, and this was re-let in November 2007 for the sale and supply of clothes to the elderly.
- 3.2 The shop at 88 Fore St has now been vacant since January 2007, when the previous tenants, The Card Shop, went into administration. Commercial agents were appointed to re-let the unit but although there has been some interest and a number of viewings, it has proved extremely hard to find a tenant, especially in the current difficult market. However, terms are now agreed for a letting to a sandwich retailer and this is in solicitors hands.
- 3.3 The second long term void is the former council depot at Locarno Road. 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). Terms have been put to an interested party for storage use, and there is some other interest in the building should this storage proposal not proceed.

3.4 The long-term voids as at 30 September 2008 are summarised in Table A below.

Table A
Long term voids

Address	Area m² Approx	Rental Value £	Date Vacated	Notes
88 Fore St	85	40,000	25/01/07	See note 3.2
Locarno Rd depot	160	3,000	17/01/07	See note 3.3
Total	245	43,000		

4.0 SHORT TERM VOIDS

- 4.1 Since last report, the double shop unit at 120/121 Sidwell St has been let as a photography studio, and has recently commenced trading.
- 4.2 The shop at 91 Wonford St was included in the previous report as a short term void, but as this unit is specifically being held vacant to include within a social housing development of the wider site, and won't be re-let prior to the scheme proceeding, it has been removed from the voids list for the purposes of this report.
- 4.3 In late 2007 Wilkies Stores were relocated from their freestanding unit at 88B Beacon Lane into the adjoining parade, taking on much enhanced space by occupying and knocking through four vacant shop units. Subsequent marketing of 88B has produced some interest but nothing that has yet translated into a letting. Discussions are continuing with a potential occupier for a café and take away use, but progress is slow.
- 4.4 The council repossessed the shop unit at 89 South St in August 2008 on the basis of rising rent debt with little apparent prospect of payment. The shop is on the market and there is some early interest in it.
- 4.5 A small office in Verney House in Sidwell St is currently void following the relocation of Gemini Taxis to South St in November 2007, although this space is now under offer.
- 4.9 The short-term voids as at 30 September 2007 are summarised in Table B below.

Table B
Short term voids

Address	Area m² Approx	Rental Value £	Date Vacated/Available	Notes
88B Beacon Lane	107	10,000	27/11/07	See note 4.3
89 South St	31	12,500	12/08/08	See note 4.4
Verney House	17	2100	14/11/07	See note 4.5
Total	155	24,600		

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 (£)
January 2006	14	2,740	161,700
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

6.2 The position on long-term voids is very favourable with only two properties in this category, one of which is let subject to contract. Of the short-term voids, 88B Beacon Lane is of most concern, as it is proving difficult to let. The retail property market is suffering from the effects of the economic downturn and the drop in consumer confidence. We are aware that a number of our commercial tenants are 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 less than 2% 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 2008, and the outstanding amounts at various points up to the date of compilation, the 30 September 2008. 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 £105,218 outstanding at 90 days, representing 3.42% of the total invoiced on the M01-M05 (now M001-M005) Cost Centres during the four quarters ending 28 September 2008 is a marginal percentage increase on the amount outstanding in the last report made to Committee in November 2007, the figures being then £95,688 and 3.4% respectively.
- 9.2 £105,218 is of course a large amount of Rent to have outstanding at the end of 90 days. The total actually invoiced increased from £2,815,465 during the previous four quarters to £3,080,516 during the four quarters reported on here, and this is largely because rent reviews taking place during this period have reflected the increase in commercial rents over the past few years. However since, say, the end of 2007 there has been a definite down-turn in the fortunes of, for example, Estate Agents, and Retailers and Restaurateurs in the secondary positions (where most of our tenants are to be found): this is beginning to show up in our day-to-day dealings with these tenants and their rent payment difficulties are evidenced by the "90 day" column.
- 9.3 Despite the picture painted in 9.2, only one shop has had to be re-possessed during the year because of an unsustainable rent debt level (4.4 above): the total debt amassed here during the year was £8,731 and will be referred to the County Court. All other amounts outstanding against these four quarters' invoices are either being chased or are the subject of instalment agreements.
- 9.4 Committee will note that as at the 30th September (i.e. 2 days after the 90 day "deadline"), the total outstanding had dropped to £26,450 or 0.86% of the total originally invoiced.

10.0 RECOMMENDED that:

- 10.1 The Report on Voids and Debts be noted.

**COMMERCIAL DEBT RAISED AND OUTSTANDING
AS AT 30 SEPTEMBER 2008**

Summary	Items	Amount	Outstanding at 28 days	Outstanding at 90 days	Outstanding as at 30.09.08
		£	£	£	£
Billed September 2007	244	638,922	117,344	40,167	0
% outstanding			18.37%	6.29%	0.00%
Billed December 2007	291	727,450	141,280	13,013	0
% outstanding			19.42%	1.79%	0.00%
Billed March 2008	259	847,040	222,627	36,974	10,466
% outstanding			22.57%	4.37%	1.24%
Billed June 2008	261	867,104	140,977	15,064	15,984
% outstanding			16.26%	1.74%	1.84%
Total	1,055	3,080,516	622,228	105,218	26,450
% outstanding			20.20%	3.42%	0.86%

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

Background papers used in compiling this report:- None