

# BASILDON TOWN CENTRE

*Market Report*

AUGUST 2021

## DISCLAIMER

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No part of this report constitutes a formal valuation in accordance with the RICS Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGAs") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2014, (the "Red Book").

### **Novel coronavirus (COVID-19)**

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries.

We continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our advice is provided study area to this material uncertainty and a higher degree of caution should be attached to our advice than would normally be the case.

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

## INTRODUCTION AND SCOPE OF WORK

Cushman & Wakefield has been appointed by Basildon Borough Council to undertake a market report of Basildon Town Centre, in addition to an accompanying Comparator Towns Analysis in order to bolster Section 4 of the draft Basildon Retail and Commercial Leisure Capacity study 2021 Update.

This report covers the following:

- Basildon Market Performance: Commentary on:
  - the wider UK retail, office, and leisure market context;
  - the local (Basildon) market;
  - supply and demand commentary, and;
  - Basildon market performance statistics such as rents, yields, number of outlets, vacancy rates and assessment of office stock lost to PDR.
- Basildon Residential Market Performance:
  - Commentary on UK/ East of England residential market;
  - Basildon local residential market, including development pipelines and residential sales data.
- Covid impact assessment and recovery issues narrative for each aforementioned sector.
- Comparator Towns Analysis: Comparison/ Benchmarking of the above markets against other new towns and London commuter towns, covering market performance indices and general market commentary for the following towns:
  - Aylesbury
  - Stevenage
  - Harlow
  - Crawley
  - Hemel Hempstead
  - Bracknell

# MARKET ANALYSIS

## Retail & Leisure Sectors

### UK Market Overview

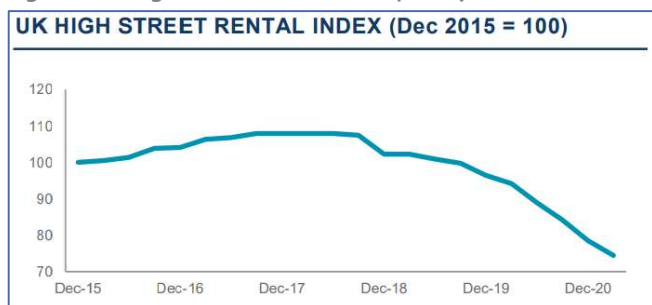
#### Retail

The government's decision to close non-essential retail and leisure outlets for much of 2020 and early 2021 impacted a wide range of formats, from leisure to fashion retailers and department stores. Although many stores have reopened, continued social distancing requirements prevail, alongside changing consumer behaviour with the rapid acceleration of online since the start of the COVID-19 pandemic. These conditions placed downward pressure on sales for many non-food retailers. Many retailers have fallen into administration, whilst those already seeking to consolidate store portfolios prior to the pandemic have been bringing permanent store closures forward, impacting overall levels of retail employment.

According to Springboard, on April 12<sup>th</sup> 2021, footfall in Central London was down by 56% relative to 2019 levels and 6.8% in market towns, and as such the reopening of non-essential retail and of outdoor dining at pubs and restaurants from April 12<sup>th</sup> has marked a significant step towards a return to normal for retail trading. The speed of this recovery however will likely depend on how quickly consumers spend savings they have amassed during the pandemic; the FT estimates this figure at £180 billion, or almost 10% of UK's GDP.

This anticipated bounce-back of expenditure has undoubtedly occurred, with ONS figures on retail sales in April and May up 38% and 23% year on year respectively, however given many retailers, restaurants and bars have been restricted in their ability to trade since March 2020 this short term positive trending has not significantly moved the needle for many businesses that still remain in perilous financial positions.

Figure 1 – High Street Retail Index (C&W)



(Unweighted average for London, Birmingham, Bristol, Cardiff, Leeds, Manchester & Newcastle)

From a property market performance perspective, values continued to soften across the UK in the first months of 2021. According to MSCI, standard shops were valued at a 20% discount in March 2021 compared with one year ago, with Central London faring a bit better (-15%) than the rest of the UK (-22%, excluding the South East). C&W's proprietary high street rental index demonstrates the significant drop in rents since the middle of 2018, and that – whilst high street retail was softening prior to the pandemic – COVID-19 has significantly exacerbated and accelerated these longer term trends.

Large-scale store closures and high profile Company Voluntary Agreements announced by the likes of Debenhams and Arcadia Group took place in 2019, with more stores at risk and staff facing redundancy than there were at the height of the 2007-9 recession, according to the Centre for Retail Research.

Whilst the increase in town centre vacancies is, at least in part, the direct result of the COVID-19 pandemic, vacancy rates across many UK high streets and shopping centres have been high and rising for some time as a consequence of the diversion of sales to online and competition from out of town retail centres, and the subsequent corporate failures and store rationalisation programmes amongst both retailers and food & beverage operators.

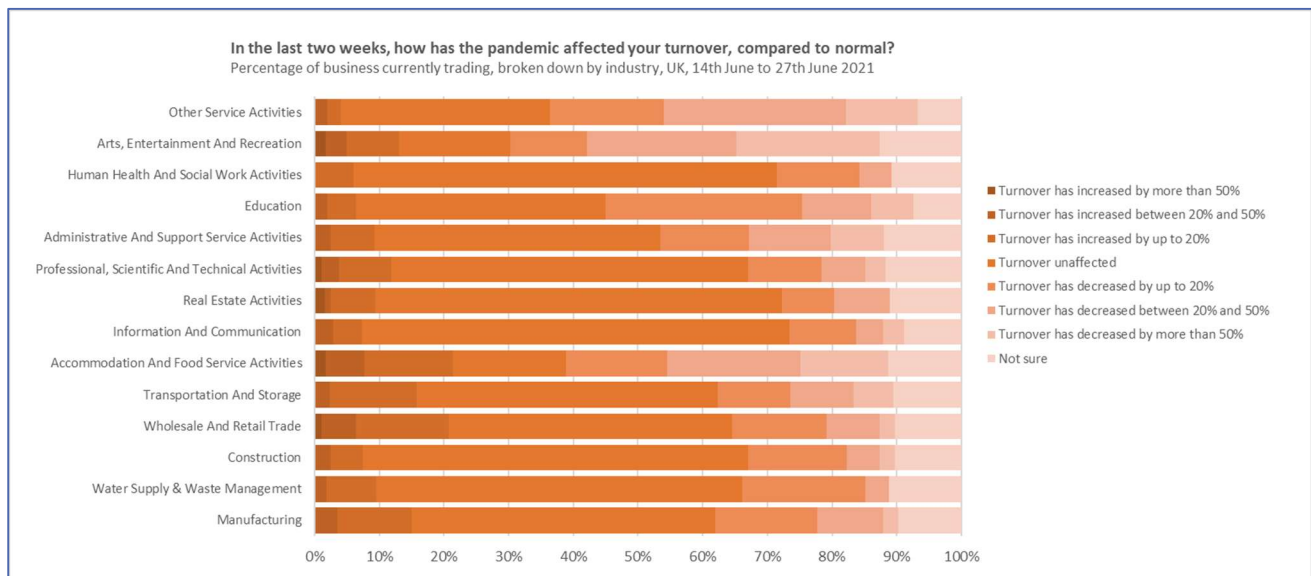
Retailers have had to pursue various strategies to stay afloat. For example, TM Lewin has proposed closing 66 high street stores to become an online-only business, and New Look switching 402 stores to turnover rent under a new CVA proposal. Additionally, John Lewis has earmarked some of its UK sites for residential development, and has also secured planning permission to convert part of its Oxford Street store into offices. This trend towards moving away from retail is being seen more frequently throughout the sector, with large landlords continuing to explore new ways of repositioning and repurposing underperforming assets in an effort to protect values. As such, the distress in the sector is causing an increase in supply and inevitable reduction in rents.

## Leisure

The leisure sector has struggled in much the same way as the retail market, and has undoubtedly been one of the hardest hit sectors as a result of COVID-19 as it has mostly had the same restrictions in place as retail but with far less flexibility to move online, and restrictions have generally remained in place in some form for longer than with its retail counterparts.

These difficult market conditions have led to a number of significant restaurant closures, with mid-priced chain restaurants such as Byron, Ask, Zizzi, Las Iguanas and Bella Italia being amongst those forced to close a large percentage of their restaurants.

**Figure 2 – Business Impact of COVID-19 Survey (June 2021)**



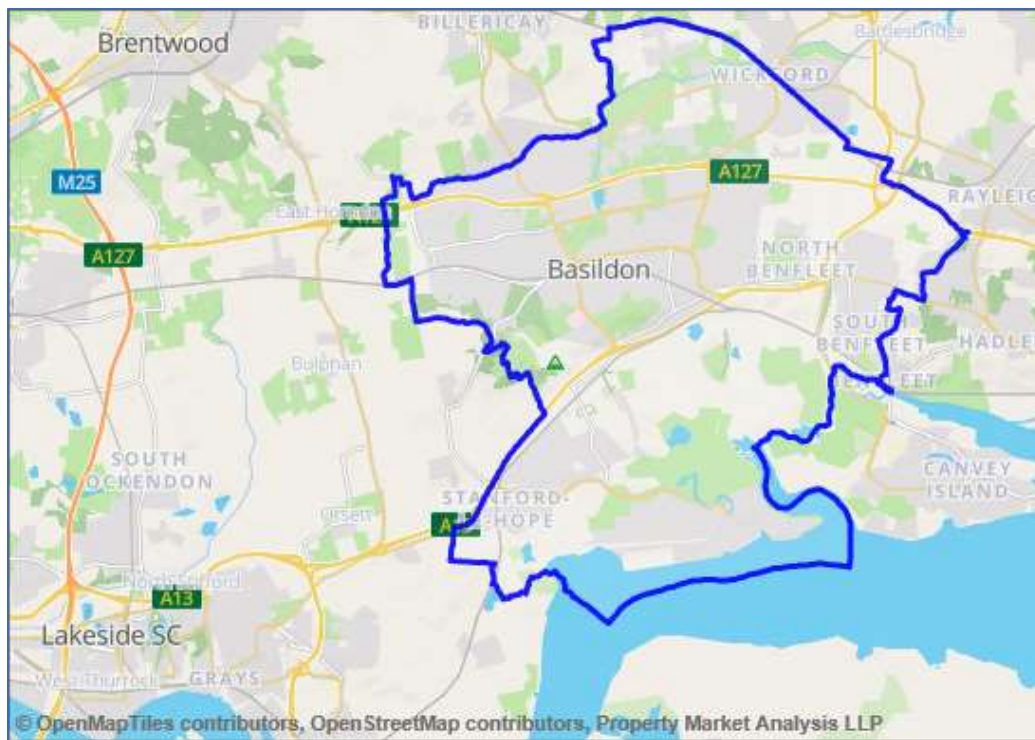
Many theatres and cinemas have been unable to reopen until recently due to social distancing rules, and frequently still at limited capacity. This context will in part explain the particularly weak financial performance and slow recovery of the Arts, Entertainment and Recreation and the Accommodation and Food Service Activities sectors, as highlighted in figure 2 above.

## Basildon Retail & Leisure Market Overview

The total population within the Basildon Primary Retail Market Area as defined by PMA Promis and outlined in Figure 3 overleaf, is estimated at 196,000 as of the end of 2020, and the town centre retail floorspace is estimated at 1.15 million sq.ft.. Retail vacancies in Basildon have increased significantly in the past year and were at 16.2% by the end of 2020 (figure 4 below). Meanwhile, rents have collapsed over the same period; falling by 3.0%, which is the weakest performance observed over the past five years.<sup>1</sup>

<sup>1</sup> All data in this section from PMA Promis

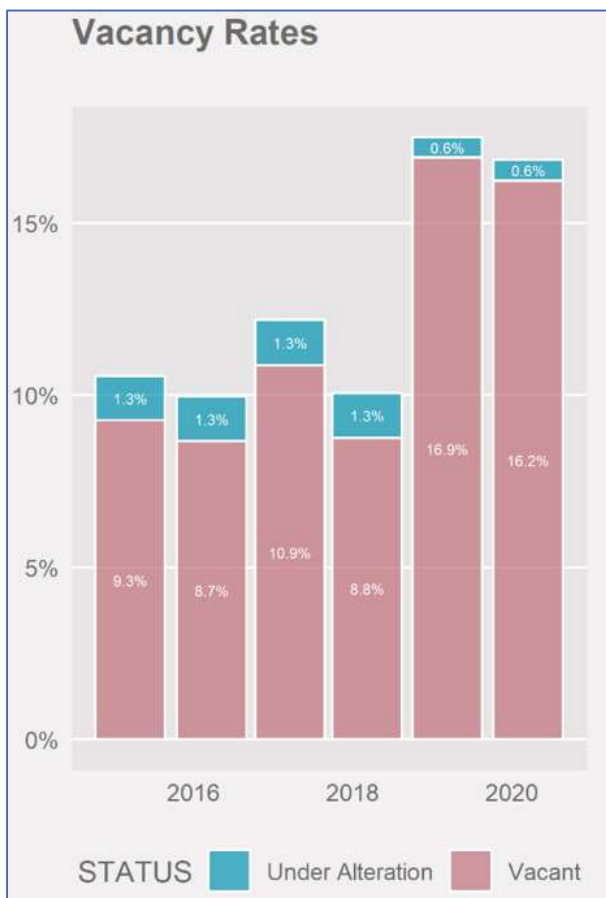
Figure 3 – Basildon Primary Retail Market Area



As for the pipeline, construction has returned to Basildon after a lull in net new supply over the past few years, albeit still on a relatively limited scale. The majority of this new space is within the East Square development, which comprises c. 47,000 sq.ft. of retail & cinema space, delivered by Basildon Borough Council and set to complete in Q4 2021.

Beyond this development, an Aldi store was recently demolished and replaced with a modern store outside of the town centre, in nearby Wickford, and permission has been granted for a mixed-use development at Crompton Close, to the north of Gloucester Park and the town centre, that includes c. 33,000 sq.ft. of retail space adjoining a wider industrial development scheme.

Figure 4 – Basildon Vacancy Rates by floor area (C&W)



The vitality of the town centre was a cause for concern even prior to the COVID pandemic, with local agents informing us that the losses in 2018 of two major anchor tenants in Toys ‘R’ Us and Marks & Spencer had the effect of notably reducing the footfall in the town centre retail area; an effect that is likely to be further exacerbated with the loss of Debenhams and the impending loss of Next and H&M, both of whom have announced recently that they will be leaving the Eastgate Shopping Centre.

It is notable that in the last year, a number of planning applications have been tabled that seek to replace large parts of the current retail offering with other uses – predominantly residential. These applications are discussed further in the “New Build Residential Market” section below.

One of the prominent characteristics of Basildon town centre that is demonstrated clearly within the “Retail & Leisure Offering” graph above, is the lack of leisure facilities. Whilst these statistics do not account for the East Square development (that will include a 10 screen cinema and six new restaurants, the presence of 6 cafés, 5 coffee shops and 3 fast food restaurants), the figure is regardless very low for a town of this size.

This conclusion is reached within the South Essex Retail Study (2017), which states that there is considerable scope to improve the food and drink offer in Basildon, and calculates that there is capacity for 16,600 sqm gross floorspace up to 2035 within Basildon, Pitsea and Wickford, with the majority to be targeted towards Basildon to compete with Festival Leisure Park. Whilst this is likely to be revised downwards as a result of the Pandemic, the lack of leisure in Basildon is a real issue that affects the vitality of the town.

The pressures on physical retail caused by the diversion of sales online and – of particular pertinence to Basildon because of the nearby out of town retail at Festival Leisure Park – the competition from out of town shopping centres, have led to increased vacancy levels in town centres across the UK, even prior to the COVID pandemic.

This narrative is reflected clearly in Basildon, where the vacancy rates had remained relatively steady at between 8.8% and 10.9% between 2015 and 2018, but since almost doubled to 16.9% in 2019, with vacancy remaining at a similar level in 2020.

Given the effect the COVID pandemic has had on retail, we would not anticipate this vacancy rate reducing in the 2021 figures, and in fact one of the major chain CVAs has directly affected Basildon Town Centre, with the Debenhams in Eastgate Shopping Centre closing in May 2021.

Figure 5 – Basildon Town Centre Retail & Leisure (C&W)

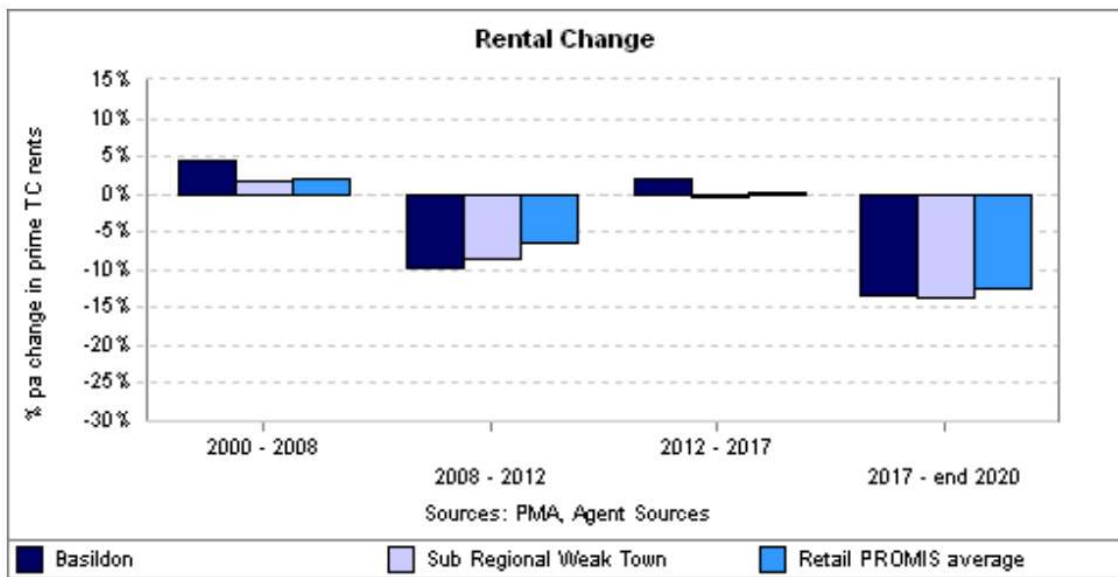


The Council has monitored (former) Use Class A (retail/ leisure & financial/ professional services) floorspace change across the borough in the last three published Annual Monitoring Reports (AMR). This monitoring has shown that in overall terms, there has been a modest net increase in former A Class floorspace by 1,285 sqm (gross). However, this overall increase masks a reduction in floorspace in Basildon town centre of 1,087 sqm. Instead, growth has been focused outside the borough’s town centre.

**Rents**

Basildon Town Centre, like many other locations throughout the UK, has seen a significant drop in the number of lettings in the last 18 months; this lower level of transactions coupled with the increased vacancy highlighted above means we would expect to see a subsequent reduction in rental levels in the town centre. We have sought to verify this using PMA Promis data, which demonstrates there has been a significant drop in rental values between 2017 and 2020 year end, with Basildon performing slightly worse than the average town in the retail Promis database.

**Figure 6 – Basildon Rental Change (Promis)**



This lack of transactional information alongside the understandable caution that remains within the retail sector as a whole, makes it difficult to establish exactly where the prevailing rental rate is for Basildon, however we have sought to collect what available data there is, which we have highlighted in figure 7 below.

**Figure 7 – Basildon Retail Rental Evidence (CoStar)**

Photo	Address	Date	Size sq.ft.	Headline Rent	Rent psf	Comment
	92 Town Square	May-21	1,800	£55,000	£30.56	Unknown Tenant Asking rent 5 year term
	142a Clay Hill Road	Nov-20	322	£7,000	£21.74	Unknown Tenant Asking rent Outside of town centre



	22 Southernhay	Sep-20	1,235	£26,000	£21.05	Unknown tenant Asking rent
	1-2 Southernhay	Dec-19	3,000	£60,000	£20.00	Cubico UK Ltd Unit is a retail warehouse rather than town centre retail

### **COVID Impact & Recovery**

During the lockdowns of 2020-2021, we have seen a significant boost in the amount of shopping taking place online across all sectors; uptake of shopping on digital channels has more than doubled in many categories during the pandemic. This move away from the high street towards online shopping is a continuation of a wider trend that has been putting pressure on much of the UK's retail sector for a number of years, but it has nonetheless been significantly accelerated by the pandemic.

Grocery, a COVID-categorised 'essential retail', has seen online sales double, although in-store has retained a large share of the market. We would expect the move to online grocery shopping to remain in some demographics – particularly those who have the luxury of continuing to be able to flex their schedules to be at home when delivery slots are available – and as such, we anticipate that an increased proportion of visits to the local supermarket will be to purchase fresh ingredients and top up shopping to complement basics arriving from online orders.

For other items, like fashion, the pandemic has forced customers to purchase online, and retailers have been forced to invest in their home-delivery supply chains; while we expect physical fashion retail to return over the next six months, some consumers are likely to continue to purchase online having had a positive experience to date.

On a more positive note, another cultural shift has been initiated in part by COVID, with shopping habits changing in other ways beyond the shift online. There has been an increased focus on smaller, independent local businesses, with people spending more time where they live and travelling less, an interest in and relationship with local businesses that may not have been possible to pursue in a conventional workday pre-pandemic has been cultivated. Additionally, there has been an increased desire to support these types of businesses, with many people looking to support independent businesses that they value as part of their local communities through difficult operating conditions. We expect this increased interest in local independent businesses to continue longer term.

In a society seeking – and increasingly used to – the convenience and comfort of internet shopping, physical shopping will need to be a superior experience in order to compete. As a result, we anticipate that in the future, retail will be driven in part by its surroundings – people will shop in a location because it's an enjoyable space to be in, and this combined with event-driven shopping will become increasingly important in attracting people to physical stores.

The restaurant and bar sectors have struggled. Being forced to close at the start of the lockdown until the 4th of July 2020, the restaurant industry was given a huge boost by the government's Eat Out to Help Out scheme in August 2020, and during the first three weeks of the scheme, over 64 million meals were claimed resulting in mid-week restaurant customer numbers being up 17% on 2019 figures. However, a second lockdown has hit these industries hard, and as highlighted above the overall difficult trading period that has persisted throughout the Pandemic has led to some significant chain restaurants, as well as many smaller, independent businesses, to cease trading.

## Office Sector

### UK Market Overview<sup>2</sup>

Increasing optimism surrounding the vaccine rollout and the economic recovery have resulted in a pick-up in office leasing in recent months. While still well below pre-pandemic levels, with office take-up totalling 2.0 million sq.ft. in the first quarter, a rise of 42% on the previous quarter's level, and then reaching its highest level in over a year in the second quarter of 2021, with June the busiest month for office leasing since October 2019.

The overall picture remains subdued however; leasing activity remains well below the five-year quarterly average of 3.6 million sq.ft., and net absorption remained negative in Q2 2021, as firms continued to release space onto the market. When combined with another big quarter for net deliveries, the national office vacancy rate continued to rise, nudging above 6% for the first time in three years.

Looking ahead, while there is less speculative construction underway than during the financial crisis, around 30 million sq.ft. was still underway nationally at the end of June 2021, not far off the mid-2020 peak. Much of this space is due to deliver over the next 18 months which, allied to subdued demand, should cause vacancies to increase further.

### Basildon Market Overview<sup>3</sup>

The Basildon office market comprises around 2 million sq.ft. of office space in the town centre and surrounds. The vacancy rate has risen over the past 12 months, however at 4.1% of total floorspace the overall rate is still below the 10-year average.


It has been almost a decade since the most recent office delivery in Basildon, and in that time, the vacancy rate has compressed significantly. This has in part been caused by a contraction of the inventory in Basildon over the past 10 years, as demolition activity and conversion to residential via PDR has outpaced new construction.

The only significant dedicated office provision in the town centre itself is Southgate House on Market Pavement. Basildon's agents attribute this lack of office provision, as well as the lack of demand in the town centre, to the lack of parking available compared with outer Basildon, as well as the low quality environment and lack of breadth of amenities in the town centre. The quality of stock in the town centre is poor and the occupier market is dominated by smaller local companies seeking affordable floorspace, in addition to the public sector. As such, the town centre has struggled to attract business space occupiers in significant numbers, and economic activity has focused principally on the A127 corridor to the north of the town centre.

For example, the largest occupier in Basildon is Italian aerospace and security company Leonardo, whose UK headquarters are in the 162,000 sq.ft. Sigma House, which is on the very edge of the town centre along the A127. Other noteworthy occupiers include supply chain service provider Alpi UK, which occupies about 110,000 sq.ft. at the 255,000 sq.ft. Alpi House, again on the northernmost outskirts of the town centre on the A127, and Ford Motor Company, which has a large research and development facility in Dunton.


This market context results in a market that very infrequently sees significant transactions completed. We have compiled the office letting transactions that have taken place within Basildon Town Centre between January 2019 and the date of this report in figure 8 below.

**Figure 8 – Basildon Office Rental Evidence (CoStar)**

Photo	Address	Date	Size sq.ft.	Headline Rent	Rent psf	Comment
	Church Walk House	Mar-21	22,167	£79,801	£18.50	Job Centre Plus Asking rent

<sup>2</sup> All figures in this section sourced from C&W market data

<sup>3</sup> All figures in this section sourced from CoStar

	Kelting House, Southernhay	Sep-19	43,138	£567,696	£13.16	Kelting Basildon Effective rent
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There were 4 office sales in Basildon within the last year, with only one of these taking place in the town centre proper – the purchase of Great Oaks House by Elite Commercial REIT as part of a 58-property portfolio sale in October 2020. The tenants at this property include the Department of Work & Pensions.

**COVID Impact & Recovery**

The UK unemployment rate fell for the second consecutive month to 4.9%, a level supported largely by the government’s job retention scheme and an increase in hiring as employers look forward to the reopening of the economy. While unemployment is currently relatively stable, the planned end of the job retention scheme in September 2021 still represents a risk for an estimated 4.7 million employees who remained furloughed in March.

**Figure 9 – Quarterly Office Take-Up (UK Major Cities) (C&W)**

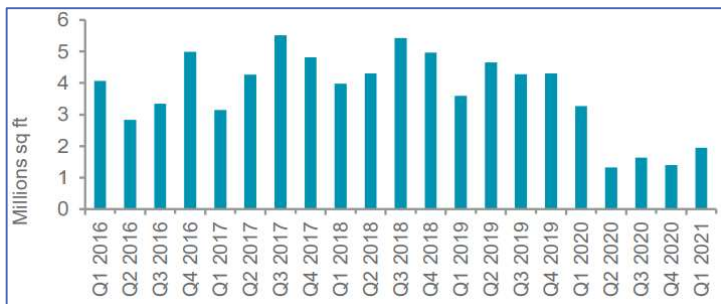


Figure 9 shows the total quarterly take up for Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Manchester, Newcastle & London. It clearly demonstrates the dramatic effect that the pandemic has had on the lettings market across the UK, with a regular cycle of lettings since 2016 abruptly dropping by over 50% between Q1 2020 and Q2 2020, and not recovering since.

COVID-19 has prompted significant thought and debate regarding the future of the workplace, with organisations actively considering their future accommodation requirements in terms of the amount, type, configuration and location of space they need. The last 12 months suggests that we are now entering a new phase of office working, with individuals provided with greater autonomy in choosing where they want to work. In a future where people commute less often, it is quite possible that people will commute further, balancing 2 or 3 days in the office with improved quality of life and lower living costs. This would point towards offices in locations which are both accessible to broad catchments and serviced by vibrant amenity for meetings and leisure. Much discussion has focused on whether organisations with significant presence in central London will seek to reduce their footprint and establish satellite offices in less central locations. This could be a trend that regional towns and cities, such as Basildon and the other locations identified in this study, benefit from.

**Residential**

**UK Market Overview**

The residential market is currently booming across much of the UK, in a large part driven by the stamp duty holiday, which has reduced rates of Stamp Duty Land Tax from 8<sup>th</sup> July 2020 until 30<sup>th</sup> June 2021 and from July 2021 to 30<sup>th</sup> September 2021. This response to the Pandemic – extending the temporary nil rate band to properties up to £500,000 from the standard rate of £125,000 – was introduced to resuscitate a housing market that was struggling in the wake of the first lockdown of March 2020, in which prospective buyers were unable to view and therefore for the most part unable to purchase property; and there can be little doubt that it has had the desired effect.

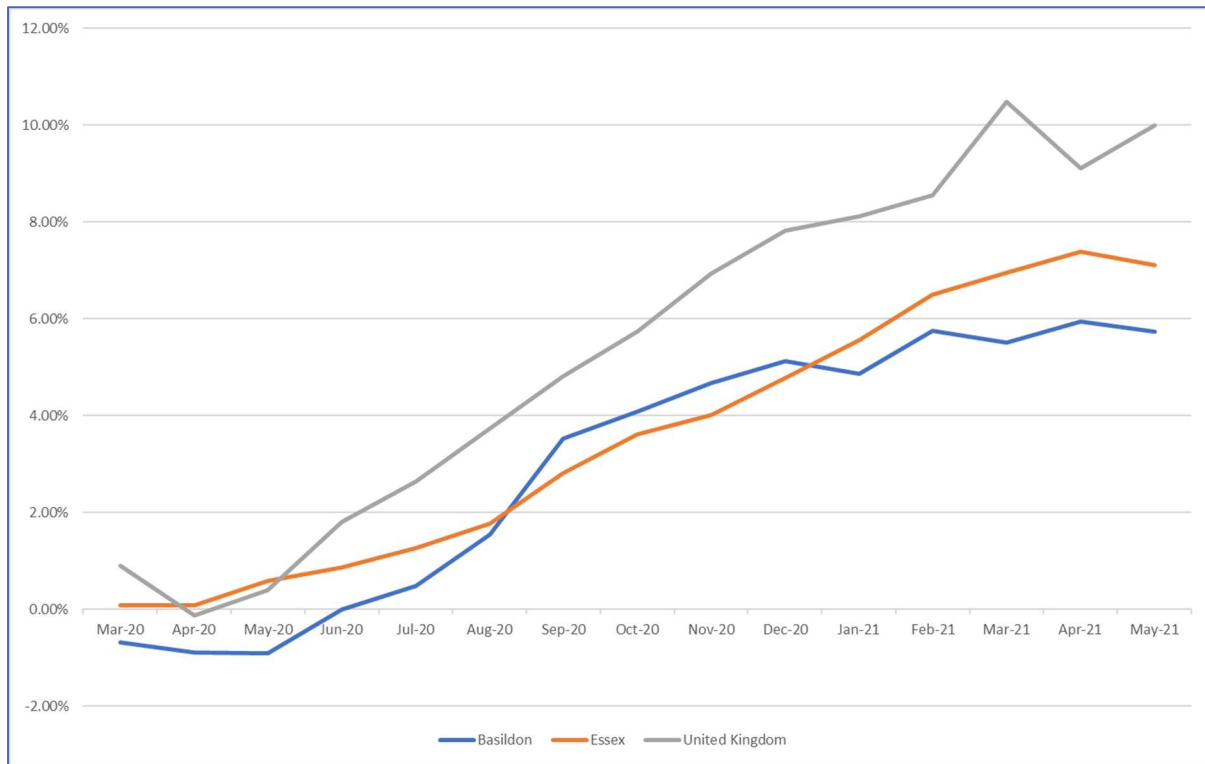
Knight Frank, for example, have reported carrying out a record number of UK transactions in June, exceeding the previous high, recorded in March 2021, by 24%, and the June 2021 RICS UK Residential Market Survey indicating a net increase of new buyer enquiries for the fourth straight month. However, there are signs that the slowing of activity anticipated in response to the upcoming end of the stamp duty holiday may be underway, with reported levels of enquiries, agreed sales and near-term sales expectations all contracting from their peaks in Q1 2021.

These affordability pressures on housing, when combined with the recent economic downturn initiated by Covid-19, will invariably increase the importance of delivering new homes in areas where these effects have been most keenly felt.

**Basildon Market Overview**

The Basildon Borough residential sales market has seen a steady increase in sales values of 6.6% since the start of the lockdown in response to the Pandemic in March 2020. This is lower than the increases of 7.3% for Essex, and 9.4% for the UK as a whole over the same period.

**Figure 10 – Residential Price Growth Post-March 2020 (Land Registry Data)**

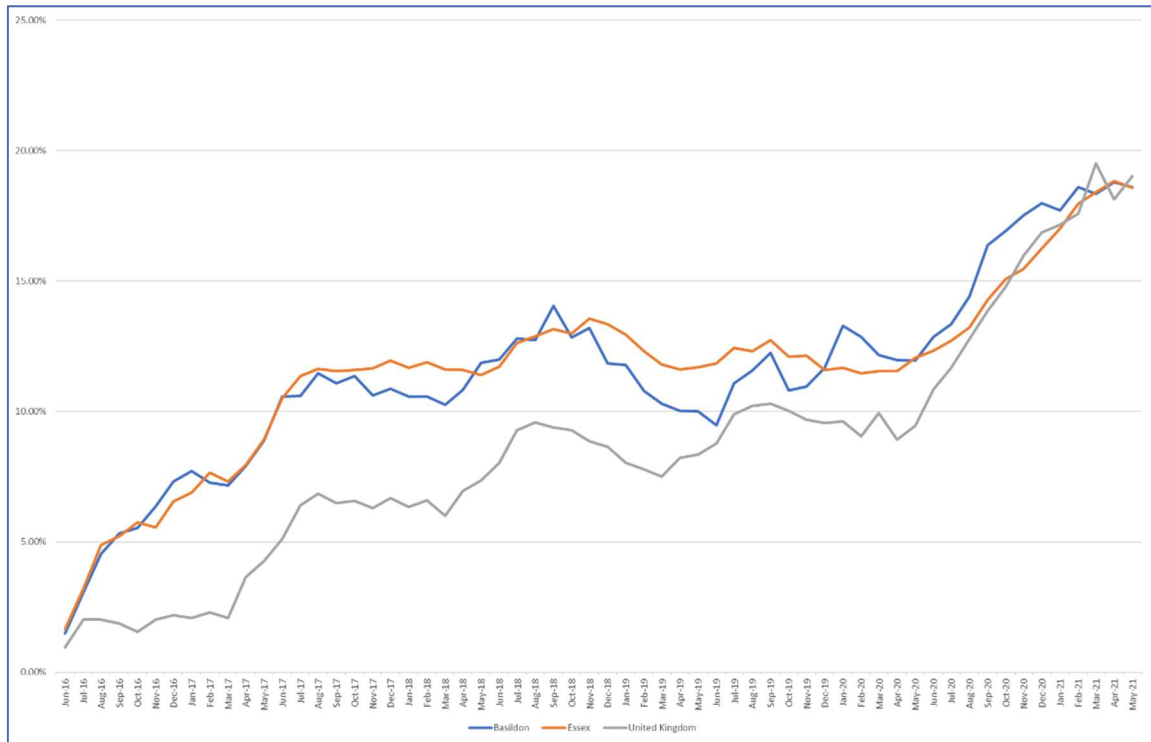


The figures for the past year, which disregards the dip at the announcement of the first full lockdown, show a similar price growth in both Basildon and Essex, with the former having a more significant and sustained reduction in values. Notable however is the relatively low – albeit still strong – growth within Essex and Basildon specifically when compared to the national average.

Location	Average Price May 2021	1-year Average Price Growth	5-year Average House Price Growth
Essex	£331,523	6.52%	18.57%
Basildon	£329,897	6.65%	18.59%
United Kingdom	£254,624	9.59%	19.03%

This strong growth in the last year is demonstrated further by the five-year cumulative housing graph below, which contextualises the recent during and post-pandemic growth; it is the steepest and most sustained increase in house prices in Basildon, Essex and the UK as a whole since at least Q3 2017, with growth between that previous increase and the start of the pandemic being notably slower. As highlighted in the UK Market Overview above, this rapid growth is likely in no small part down to the stamp duty holiday, so we would expect to see a slowing of growth with the end of this policy in October 2021.

**Figure 11 – House Price Growth Post-June 2016 (Land Registry Data)**

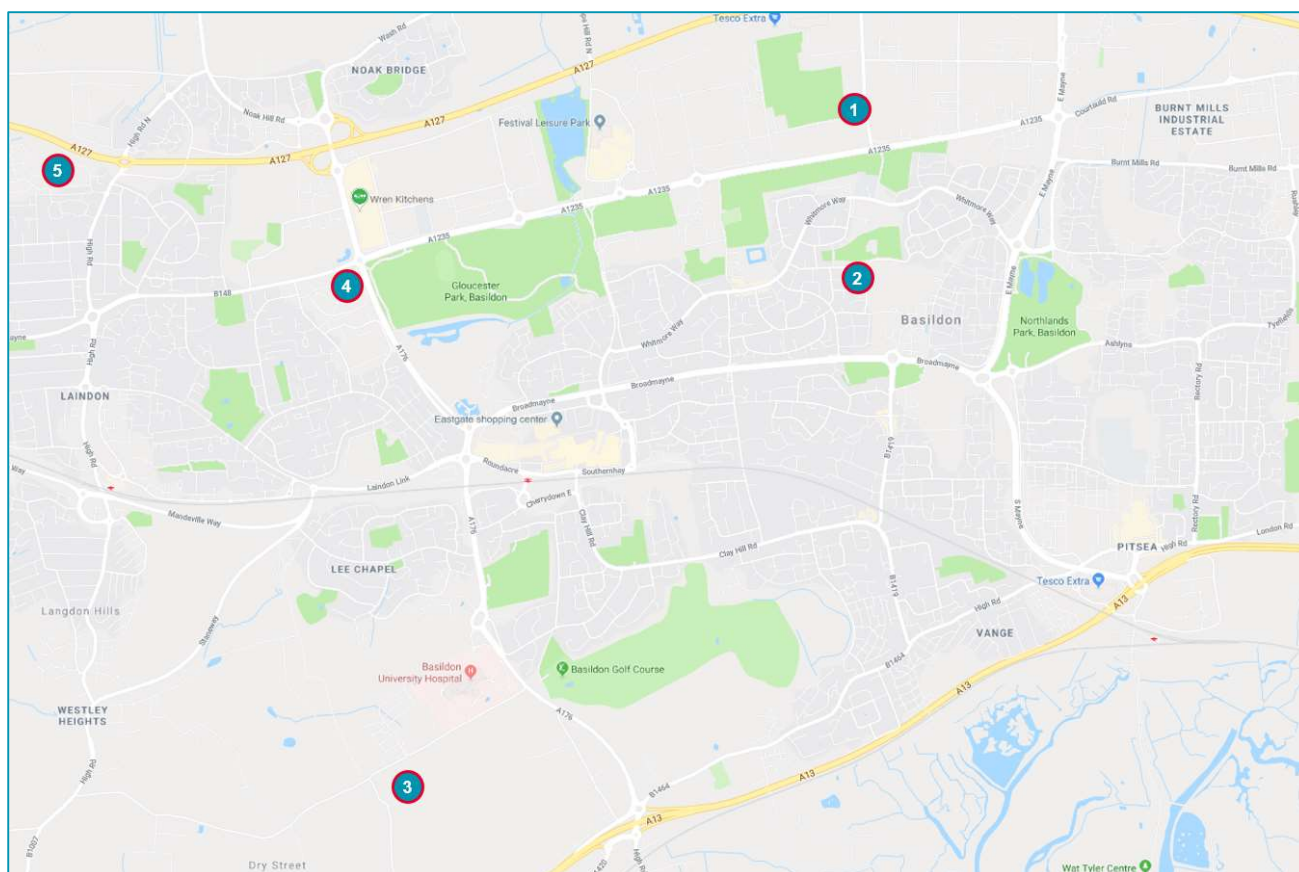


### New Build Residential Market

No new residential sites have been brought forward in Basildon since the Basildon Town Centre Masterplan Market Report was undertaken in November 2019, with three of same five schemes – all outside of the town centre but still within Basildon – still selling units; the remaining two, St Nicholas Mews and Dunton Fields, have completed and sold out. Where possible we have sought to update sales values of the schemes to reflect any changes since the previous evidence base document.

Whilst not a private sale development, Maplewood Court by Sempra Homes, just to the east of the Town Centre, has also completed and is selling units as shared ownership.

Figure 12 – New Build Residential Schemes (Land Registry)



Ref	Scheme Name	Average Value (£)	Average Size (psf)	Average Value (£psf)	Previous Value (£psf)
1	Gardiners Park Village	376,786	945	£399	£341
2	Beechwood	£305,875	£1,064	£287	N/A
3	Westley Green	£462,595	1,145	£404	£377
4	St Nicholas Mews	N/A	N/A	N/A	£357
5	Dunton Fields	N/A	N/A	N/A	£322

The vast majority of the units within the five schemes listed above being either detached or semi-detached houses. As it stands, there is still no development of flats or houses taking place in Basildon Town Centre proper, however we are aware of several planning permissions that could soon see the town centre have its first residential development since Trafford House was completed for PRS in 2015, and in the process entirely change the composition of the town centre, with a total of approximately 4,300 units across the various permissions. These have been summarised in the table overleaf.

Scheme Name	Planning Ref.	Notes
Trafford House, SS16 5HG	20/00650/FULL	Awaiting decision, submitted Jun 2020 – proposal is for the erection of a three storey rooftop addition and four storey front infill extension over existing building to create 151 residential flats.
Land at Town Square	20/00955/FULL	Awaiting decision, submitted Oct 2020 – Plot 1 (West Wing) comprising detailed planning permission for the full and partial demolition of existing floorspace, erection of new buildings up to 23 storeys to provide 265 residential dwellings (Class C3) and new Class E and Flexible Class E/F1/F2 floorspace. Plot 2 (East Wing) comprising outline planning permission (all matters reserved) for the full and partial demolition of existing floorspace, erection of new buildings to provide up to 230 residential dwellings (Class C3) and new Class E floorspace. Will be a build to rent-led scheme.
Former Post Office Site, Town Square	21/01137/SCREEN	Screening opinion, received Jul 2021 – proposed erection of a single 10-storey building to provide up to 60 residential dwellings (use class C3) with associated access and landscaping.
The Long Riding Public House	20/00062/FULL	Awaiting decision, submitted Jan 2020 – Erection of a four storey block containing 20 flats, with associated basement car parking
Eastgate Shopping Centre	20/01104/OUT	Outline planning permission granted on 22 <sup>nd</sup> April 2021 to redevelop Eastgate Shopping Centre into a 2,800-home residential led scheme.
Car Park 14	21/00668/FULL	Planning application submitted by Sempra Homes in April 2021 for 233 new homes just outside Basildon Town Centre.
Town Square North	20/01350/FULL	Retention and reconfiguration of the existing building to deliver four blocks with residential units totalling 535 over two phases, delivered as build to rent.

### **COVID Impact & Recovery**

As highlighted above, the residential market has been one of the bright spots in the various property sectors in terms of the effect the Pandemic has had. There has been growth across much of the UK and Basildon has been a beneficiary of this, albeit not to quite the same level of growth as some other towns in the UK.

The June 2021 RICS UK Residential Market Survey – whilst capturing these positive trends – has also shown a general slowdown recently, with an apparent easing of demand underway as the stamp duty holiday moves towards its withdrawal. For example, whilst June was the fourth successive month in which respondents reported an increase in new buyer enquiries, at 14% of respondents, this figure is significantly below the 43% posted in April.

Nevertheless, the latest feedback from this survey continues to signal a clear excess of demand over supply, and Savills predict that this imbalance looks set to maintain growth for the second half of 2021, although they also predict that, with an expectation that interest rates start to rise a little earlier than previously anticipated, there will be much less capacity for price growth post-2021.

# COMPARATOR TOWN ANALYSIS

## Performance Indicators

### Retail & Leisure

N.B:

- “Market Area” is as defined by Costar, and extends beyond the town centre to include the main active market locations on the outskirts.
- Town Centre boundaries are approximate.
- All data in this section sourced from Costar.
- Vacancy Rates on a floor area basis.

Town	Statistic Info	Total Floor Area (sq.ft.)		Vacancy Rate		Average Rent (psf)	
		Market Area	Town Centre	Market Area	Town Centre	Market Area	Town Centre
Basildon	Current Day	2.9m	1.6m	6.1%	8.3%	£24.60	£27.20
	Pipeline (Floor Area) or Q3-20 Figure	46,600	46,600	2.8%	3.7%	£25.80	£28.30
Stevenage	Current Day	2.8m	2.4m	2.3%	2.4%	£27.80	£27.20
	Pipeline (Floor Area) or Q3-20 Figure	0	0	2.2%	2.6%	£28.90	£28.30
Harlow	Current Day	2.2m	1.2m	4.8%	5.8%	£20.60	£20.80
	Pipeline (Floor Area) or Q3-20 Figure	0	0	7.7%	7.4%	£21.50	£21.70
Crawley	Current Day	3.4m	1.8m	5.3%	9.4%	£31.80	£35.00
	Pipeline (Floor Area) or Q3-20 Figure	0	0	0.9%	1.5%	£33.10	£36.50
Hemel Hempstead	Current Day	2.6m	1.1m	6.3%	13.2%	£21.50	£22.30
	Pipeline (Floor Area) or Q3-20 Figure	3,300	3,300	2.5%	4.5%	£22.40	£23.20
Bracknell	Current Day	2.4m	1.3m	2.2%	3.4%	£23.30	£28.00
	Pipeline (Floor Area) or Q3-20 Figure	0	0	1.7%	3.0%	£24.20	£29.10
Aylesbury	Current Day	2.5m	1.6m	2.9%	4.4%	£21.30	£22.00
	Pipeline (Floor Area) or Q3-20 Figure	91,100	85,100	3.4%	4.6%	£22.20	£22.90

What the above statistics demonstrate is that the distribution of retail/ leisure space within the Comparator Towns is broadly consistent, with Basildon, Harlow, Crawley and Bracknell all having approximately 55% of their retail/ leisure within the town centre and the remainder in out of town parks; this figure is lower in Hemel Hempstead where only 42% of the town’s retail is located within the town centre proper. The exceptions to this are Stevenage and Aylesbury, where 86% and 64% of retail is located within their respective town centres.

Almost across the board, there has been a reduction in average rents and an increase in vacancy rates in the last year, and there is very little retail/ hospitality space in the pipeline in any of these towns; this is reflective of the wider, long term retail and leisure market trends, as well as the short term impact of the Pandemic on these industries in particular, both of which have led to a significant reduction in speculative development. The two towns with retail/ leisure in their planning pipelines (excluding Basildon) are Hemel Hempstead and Aylesbury; the former is a residential development with retail at ground floor level, and the latter is a new 85,000 sq.ft. Sainsbury’s superstore on the outskirts of the town centre that is expected to complete in Q3 2022.



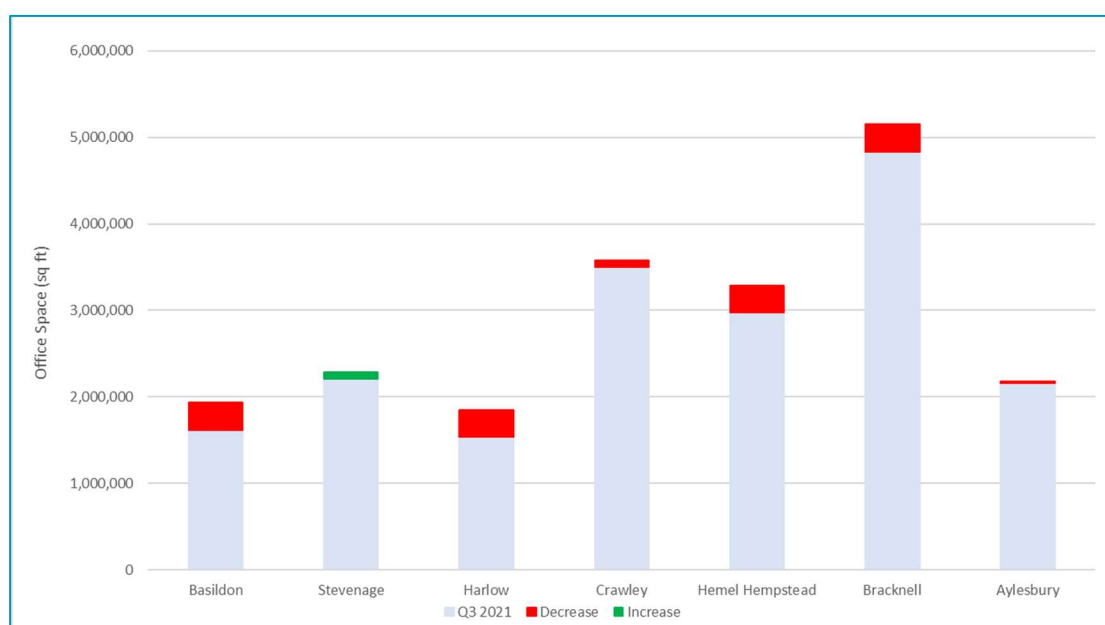
## Office

Town	Statistic Info	Total Floor Area (sq.ft.)		Vacancy Rate		Average Rent (psf)	
		Market Area	Town Centre	Market Area	Town Centre	Market Area	Town Centre
Basildon	Current Day	1.6m	251,000	2.9%	0.7%	£16.80	£16.20
	Pipeline (Floor Area) or Q3-20 Figure	0	0	0.5%	0%	£17.20	£16.50
Stevenage	Current Day	2.2m	1.7m	4.7%	4.4%	£18.30	£18.60
	Pipeline (Floor Area) or Q3-20 Figure	0	0	1.3%	0.9%	£17.60	£17.90
Harlow	Current Day	1.6m	374,000	5.3%	1.6%	£16.70	£16.10
	Pipeline (Floor Area) or Q3-20 Figure	0	0	2.2%	1.6%	£17.10	£16.60
Crawley	Current Day	3.5m	840,000	10.4%	4.3%	£20.70	£20.00
	Pipeline (Floor Area) or Q3-20 Figure	115,000	115,000	10.1%	2.6%	£20.90	£20.00
Hemel Hempstead	Current Day	3.0m	552,000	4.8%	0.4%	£21.10	£19.00
	Pipeline (Floor Area) or Q3-20 Figure	0	0	6.0%	0.3%	£20.60	£18.30
Bracknell	Current Day	4.8m	1.2m	5.4%	6.9%	£23.00	£23.90
	Pipeline (Floor Area) or Q3-20 Figure	0	0	4.0%	2.8%	£23.10	£24.20
Aylesbury	Current Day	2.2m	1.1m	1.4%	2.2%	£15.40	£15.10
	Pipeline (Floor Area) or Q3-20 Figure	0	0	0.5%	1.0%	£15.70	£15.40

As with retail above, there is a real lack of office development within the Comparator Towns, often in spite of them having very low vacancy rates. The reason for the low vacancy rate in Basildon's case is the loss of 'redundant' office space within the town centre, which subsequently reduces the amount of available space.

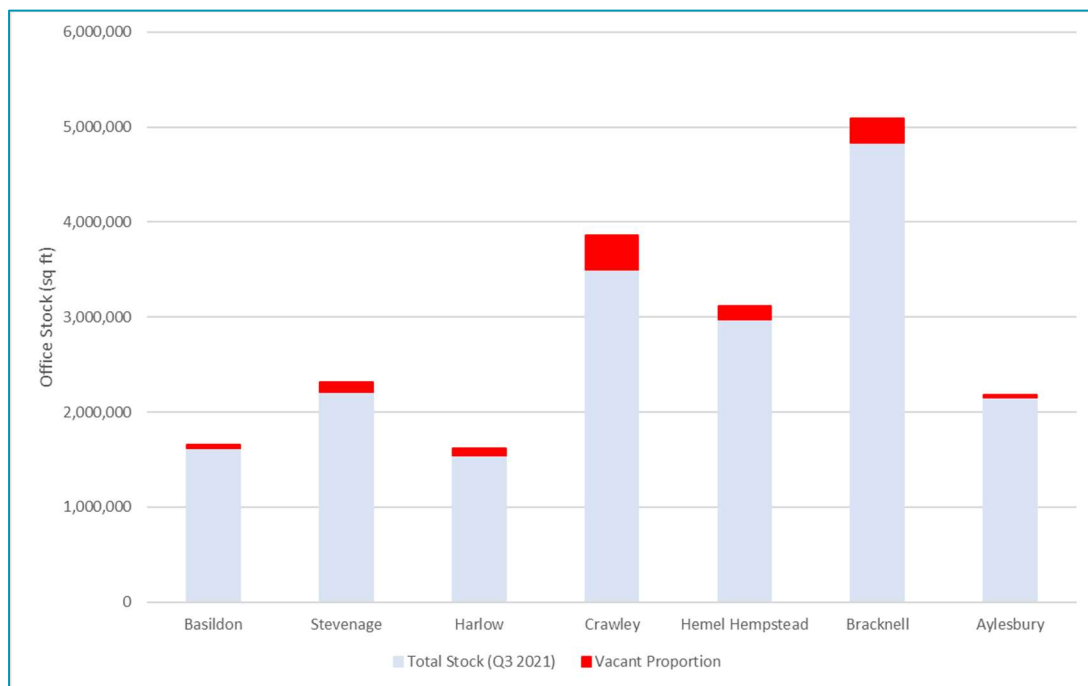
This trend is undoubtedly consistent within many of the comparator towns, as demonstrated by the graph below that shows the extent to which this contraction in floorspace has occurred. As the graph demonstrates, Basildon has lost a significant proportion of its office stock in the last 10 years, as has Harlow; Bracknell has lost a similar area of office space across this time period, but due to its significantly greater levels of stock, it has had a proportionally lower overall effect.

**Figure 13 – Office Floorspace increase/ decrease: 12 Month Period to Report Date (Market Area, CoStar)**



The below graph shows that the relationship between the total stock in the town centre and the vacancy rates are relatively regular, with those locations in which overall stock is lower, and those in which reductions in the amount of floorspace have been highest, generally also having lower vacancy rates.

**Figure 14 – Vacant Proportion of Total Office Stock (Market Area, CoStar)**



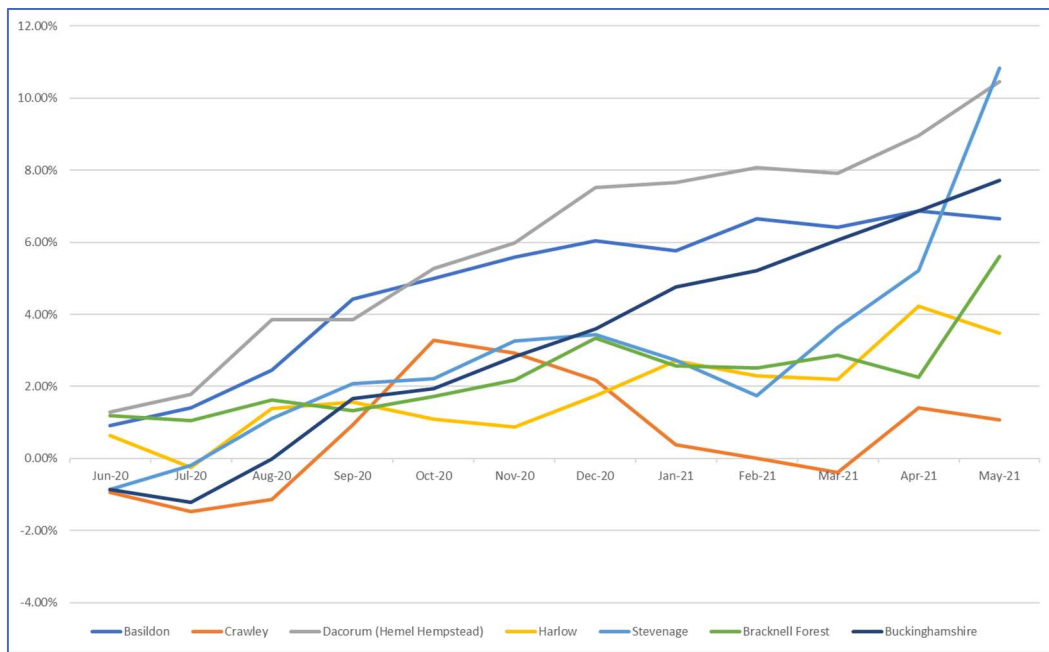
The sole town with office development in the pipeline is Crawley, where there is only one notable project currently underway as of 2021, the 115,000 sq.ft. Crawley Town Hall development on The Boulevard. The project is being purpose built for Crawley Borough Council and being developed by Westrock for completion in 2022.

Whilst not necessarily a trend for these types of town centres due to this being the sole example, it is notable that the single office development of scale that is taking place within the comparison towns is being delivered with a pre-let in place to a government entity, meaning the borough council is effectively incentivising development of scale within the town centre by providing their own strong covenant up front.

**Residential**

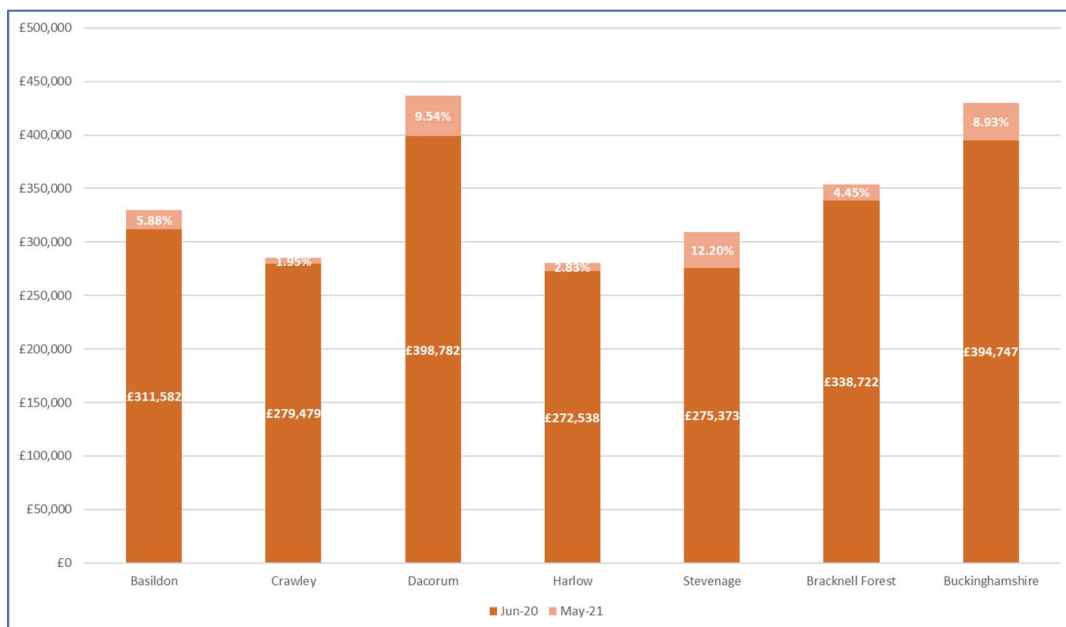
As per the narrative within the Residential UK Market Overview above, the last year has seen significant growth in house prices in part due to the effect of the stamp duty holiday. Basildon has seen a relatively steady growth throughout this period, with fewer peaks and troughs than many of the other comparator towns. Whilst not included in this graph, it is interesting to note that of these comparator towns, only Stevenage and the Dacorum District (representing Hemel Hempstead but including other towns and rural areas) have achieved above the UK average growth over the last year of 9.59%.

**Figure 15 – Percentage House Price Growth: 12 Month Period to May 2021 (Local Authority Area, Land Registry Data)**



Alongside the increase in residential values resulting in part from the stamp duty holiday, a further structural change initiated by the Pandemic – the move towards working from home – has seen people leaving London for more affordable, larger homes, and greener more idyllic surrounds. The graphs above and below somewhat demonstrate this; for instance, two (Dacorum & Buckinghamshire) of the three centres with the highest growth, are the two most expensive and thus less likely to be affected by the stamp duty changes. These two locations also capture sales outside of the main Comparator Towns included within this study (thus capturing more suburban/ village/ rural purchases). Conversely, the lowest growth has been in Crawley and Harlow, the two cheapest locations.

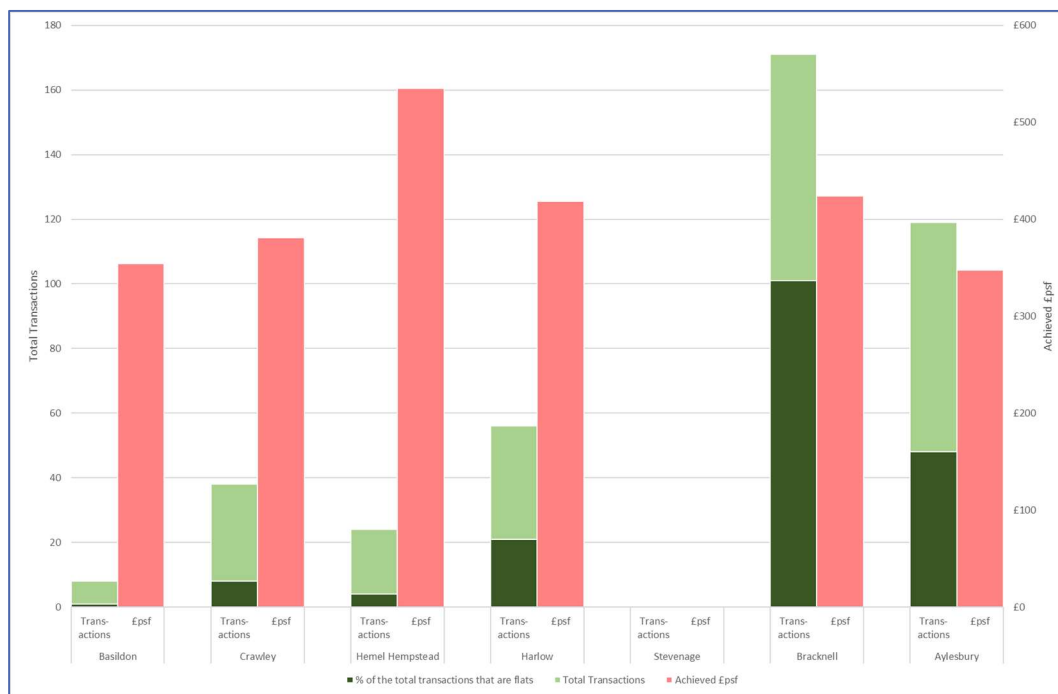
**Figure 16 – House Price Growth (Local Authority Area, Land Registry Data)**



Given the variation in geographic area in the Land Registry data between the Comparator Towns listed above, we have also examined the new build market performance of each of these towns, collating transactional data for each town and its direct surrounds since May 2020.

Figure 17 below shows the number of new build transactions that have taken place in each town, the proportion of these transactions that were flats, and the achieved £psf rate for new build residential in each town. Notably, no new build transactions have taken place in Stevenage in the last year, hence the empty dataset within the below graph.

**Figure 17 – New Build Transactions, Values Achieved and Proportion of transactions that are flats (Town Centre Area, Land Registry Data)**



As the above graph demonstrates, the amount of new build housing purchased in Basildon in the past year is very low in comparison to every other town bar Stevenage, where no transactions have taken place. This is likely due to the lack of new build development within the town centre areas of many of these towns; most of the development taking place in Basildon, for example, takes place on the outskirts as highlighted in Figure 12 above.

Aylesbury has seen recent completion of a large amount of new developments in and on the edges of its town centre. Schemes such as the Exchange and the Arc are located in the town centre and predominantly comprise flats; explaining the higher proportion of flats compared with towns where the majority of development is on its fringes. On the edge of Aylesbury town centre, ‘urban extensions’ related to the Town recently securing Garden Town status – such as the Kingsbrook and Berryfields developments – are on site, with the total delivery at completion of c.2,450 2, 3 and 4 bedroom homes at the former, and c.3,000 homes at the latter.

The same is the case in Bracknell where in the town centre Circa, a PDR development of 69 studio and one bed apartments which has recently completed, slightly skews the percentage of flats sold within the town centre. Beyond Circa, Cala Homes’ Millennium Fields on the outskirts of the town centre comprises a mix of flats and houses.

## **Stevenage**

### **Retail Market**

The total population within the Stevenage Town Centre Retail Area is estimated at 107,000 at end 2020, and the town centre retail floorspace is estimated at 0.69 million sq ft. There are two shopping centres within Stevenage; the Forum Shopping Park is approximately 116,000 sq.ft. in size, and is located in the town centre, opposite the station; directly south of the Forum, is the Westgate Centre, which is 110,000 sq.ft. in size (Costar).

According to Costar, retail vacancies in Stevenage were slightly elevated relative to the five-year average during the third quarter of 2021, but they were essentially unchanged from Q3 2020. However, PROMIS estimate that at 2020 Q4 the vacancy rate in Stevenage town centre stood at 21.5% of units, up from 15% in Q4 2019, and painting a much starker picture.

Furthermore, rents in Stevenage town centre have dropped significantly in the past year, with the weakest performance observed over the past five years at -4.2% (Costar). In spite of these potentially worrisome figures, the town is still home to a number of multinational and large national chains, with Primark, H&M, Costa and Starbucks amongst the tenants.

The Stevenage Retail Market Area is moderately affluent, in particular in comparison with Basildon, with a moderately above average proportion of adults of working age categorised within the most affluent AB social group (which includes those in managerial and professional occupations); social group C1 (which includes junior non manual employees) and social group C2 (which includes those in skilled manual employment) are also over-represented. In contrast, the least affluent D and E social groups (which includes those in skilled and unskilled manual employment, the unemployed and those on state benefits) are particularly under-represented within the Stevenage area, according to PROMIS data.

### **Office Market**

Stevenage is a mid-sized office submarket in Hertfordshire that contains around 2.2 million sq.ft. of floorspace. Vacancy in the town has risen significantly over the past 12 months, and at 4.8%, the rate is the highest it's been in more than five years. In spite of this heightened vacancy rate, rents grew by 4.8% over the past 12 months, which easily exceeds the 3.7% average annual change over the past decade (Costar).

There are no supply-side pressures on vacancy or rent in the near term, as nothing is under construction or in the development pipeline. That empty pipeline will limit stock growth in the years to come, which is unusual in a submarket such as Stevenage, which has experienced an expansion of 5.8% in inventory over the past three years (Costar).

The principal recent completion within the office market was a significant one: Airbus delivered a new c. 120,000 sq.ft. headquarters alongside Willmot Dixon which completed in January 2021. Prior to the completion of the Airbus office, the most recent space was delivered in 2016 when 44,000 sq.ft. was completed at the Accelerator Building to the south of the town centre. However, in the two years post completion of the Accelerator Building, a further four buildings were removed from the office market, resulting in a reduction in total office space in Stevenage of approximately 90,000 sq ft. (Costar).

Approximate average rents have steadily grown since 2017, from £16.70 psf up to the current £18.30 psf. This is slightly stronger than Basildon's current average rent of £16.20 psf, and slight reduction in average rent across the same period, from £16.70 psf in 2017 (Costar).

### **Residential Market**

Much like Basildon, the majority of the residential development in Stevenage is taking place on the outskirts of the town. As it stands, there is only one residential scheme currently on the market within the town centre proper; Park Place, a PDR development that comprises 202 studio, one bed and two bed residential units approximately 0.4 miles east of Stevenage Rail Station. The average asking price of the remaining units is £420.30 psf across 31 units.

The developments outside of the town centre predominantly comprise larger suburban style homes, as is the case in Basildon. There are currently two schemes of reasonable scale selling outside of the town centre: Malvern Place by Hill and Trig Point by Chalkdene Developments.

There is no transactional data regarding achieved sales values for new builds within the town centre in the last 18 months, however in that time period, the average sales value for homes has been approximately £320 psf.

Where recent planning applications have been submitted in Stevenage town centre for residential development, the majority of these have been for conversion from office to residential. The principal development of scale that is proposed

to take place on the outskirts of the town centre is via urban extensions to the west of the town. As it stands, we are aware of the following applications that would see Stevenage extend westwards:

- Outline planning application comprising 800 residential dwellings, creation of a new local centre, provision of a primary school. Submitted October 2019.
- Full planning permission for 390 dwellings. Submitted April 2021.
- Urban extension for approximately 1350 dwellings including full details for around 350 dwellings as first phase of development.

## **Harlow**

### **Retail & Leisure Market**

The total Harlow town centre retail floorspace is estimated by Promis at 0.88 million sq.ft. (1.2m sq ft for CoStar). The town is home to a 360,000 sq.ft. shopping centre, the Harvey Centre, which was part redeveloped/ refurbished in 2016 to include an additional floor and a 6 screen (including IMAX), 987 seat Cinema that was let to Cineworld upon completion.

The most recent published census data (2011) shows Harlow contained a significantly above average proportion of adults of working age within social group C2 (which includes those in skilled manual employment); the least affluent D and E social groups (which includes those in skilled and unskilled manual employment, the unemployed and those on state benefits) are also over-represented. In contrast, the most affluent AB social group (which includes those in managerial and professional occupations) is particularly under-represented within the Harlow area. This demographic composition, and the size and strength of its retail role, puts Harlow in the PROMIS “Average Weak Towns” category, whilst Basildon is in the “Sub-Regional Weak Town” category, the latter denoting a superior location.

As such, Harlow has a significantly above average volume and quality of retail provision relative to the size and affluence of the shopping population; this includes retail provision includes businesses such as H&M, JD Sports, New Look, Sports Direct, the Body Shop, WH Smith and Wilko.

We are not aware of any plans to increase or demolish any of the retail/ leisure floorspace within Harlow Town Centre as it stands.

### **Office Market**

The Harlow office market comprises approximately 1.6m sq.ft. of office space; approximately 8% of the total Essex office market, and notably smaller – by approximately 500,000 sq.ft. – than Basildon’s office market. Vacancy rates within Harlow were recorded at 4.7% in Q4 2020, which is greater than Basildon’s 2.9% at the date of this report, but tighter than the national average (Costar).

Typically, this would suggest strong demand from occupiers, however in the case of Harlow much like Basildon the tightening of vacancy rates particularly in the town centre, results from demolitions and permitted development rights removing large blocks of vacant office space from the submarket’s inventory. These two factors have seen Harlow’s total office inventory drop from 1.8m sq.ft. in 2010 to 1.5m sq.ft. in 2020. This compares to 1.9m sq.ft. at year end 2010 in Basildon, which is a reduction to current day of approximately 316,000 sq.ft., which amounts to a c. 16.4% reduction in overall stock in both towns (Costar).

In spite of this tightening of vacancy rates and the removal of commercial stock from the town, Harlow’s Enterprise Zone – which was formed in 2015 – has successfully driven a shift towards health, science, data and technology in part by offering the following benefits to businesses that move to the area:

- Business rates relief for eligible target-sector companies,
- Simplified planning, through the use of Local Development Orders,
- Better site connectivity through new and improved infrastructure,
- Access to superfast broadband, and
- Business support, networking and supply chain development opportunities.

Most recently, Public Health England (PHE) committed to investing £400m into a new public health science centre at the former GSK site in the New Frontiers Science Park. In 2017, Harlow Council gave outline approval for the new centre,

comprising the construction of new laboratories, reuse of existing laboratory buildings and additional office accommodation, totalling 1.24m sq.ft.. The relocation of PHE from their existing site in Salisbury is expected to bring 2,750 staff to Harlow, with the expectation it will encourage further interest from office occupiers, particularly those within the health, science and technology sectors.

### ***Residential Market***

House price growth in the Harlow District has remained relatively flat over the last four years, albeit with the town having experienced some upwards pressure on values in 2016. Interestingly, the Pandemic and the changes to the housing market that has brought with it have seemingly had less of an effect in Harlow than other towns within this study or the UK as a whole; Harlow's house price growth in the last 12 months has been just 2.83%, compared with the UK average of 9.59% (Land Registry Data).

Harlow, much like Basildon, has a relatively strong residential development market on the fringes of the town, rather than in the town centre proper; in recent years developments including Newhall, Gilden Park and Ram Gorse have emerged on the outskirts, creating new suburbs around the town. Much like Basildon, these schemes are predominantly targeted towards family sized housing, with a much smaller provision of one and two bedroom apartments.

In the town centre, much of the residential development that took place was through the conversion of office space under permitted development rights. Edinburgh House is an example of such a scheme; developed by Weston Homes and located in close proximity to Harlow Station, the development comprises 361 units, and is a mix of 1- and 2-bedroom apartments, averaging £417 psf across available 2020 comparables.

## ***Crawley***

### ***Retail & Leisure Market***

Crawley total town centre's retail floorspace is estimated at c.1.8 million sq ft. (Costar), of which 470,000 sq.ft. forms County Mall, Crawley's prime retail shopping centre. The Mall is home to retailers including Primark, Next, Boots, JD Sport and B&M Bargains. As with Basildon, Debenhams vacated the town centre in May 2021 – no future plans have been confirmed for the store. Aside from County Mall, the remaining town centre retail offer is dated with an oversupply of secondary and tertiary floorspace. Vacancy rates tend to be higher in the centre for this reason, with CoStar recording 9.8% as at July 2021.

As with Basildon, there is a strong out-of-town retail offer with approximately 450,000 sq.ft. of floorspace split across County Oak Way and Acorn Retail Park. In addition, Crawley Leisure Park is located on the northern edge of the town centre and predominantly comprises leisure services. The quality of out-of-town retail is comparatively superior than the town centre, as reflected in the type of tenants (including Matalan, Sainsbury's, B&W and Homebase), and demonstrated by the lower vacancy rate of 1.5% as at July 2021.

In line with the national trend, rents collapsed in the first half of 2021, falling 4.4% in the Crawley submarket – the weakest performance observed over the last 5 years. On average, market rents sit around the £33.00 psf mark as at July 2021 (Costar). As for construction, Crawley does not have any notable schemes in the pipeline.

### ***Office Market***

The Crawley office market is dominated by airport related occupiers due to the proximity to Gatwick Airport. The majority of stock is focused towards the out-of-town market, with several large business parks located between Crawley town centre and the Airport. Major occupiers tend to be located in these business parks, with the likes of British Airways, Virgin Atlantic and Elekta all taking space above 100,000 sq ft. The stock is typically newer build which attracts a slight rental premium over the town centre stock.

Unlike Basildon, Crawley's development pipeline is looking significantly stronger; the most notable development being 200,000 sq.ft. of new build Grade A office space at Gatwick Park expected to complete in 2022. Crawley's new purpose-built 115,000 sq.ft. Town Hall is also currently under construction and upon completion, will be fully occupied by Crawley Borough Council.

The town centre market is predominantly characterised by 1980s and 1990s office developments. Whilst the town centre has seen a number of PD conversions from office to residential, the out-of-town market has remained resilient. Rather, the absence of new inventory has encouraged several significant refurbishments. According to CoStar, whilst 280,000 sq.ft. of new stock has been delivered since 2015 in the submarket, around 340,000 sq.ft. has been refurbished over the same period.

The investment market in Crawley is comparatively more active than Basildon, with over 50% more floorspace transacted in the last 12 months. In total, over 489,000 sq.ft. across 8 buildings were sold over the period (Costar). The lettings market has also performed well with achieved rents averaging approximately £22.00 psf, having remained relatively stable throughout the pandemic and 20% ahead of levels 5 years ago.

### ***Residential Market***

House prices in the Crawley District have remained relatively flat over the last four years, having experienced some upwards pressure in 2016. Whilst many of the markets in this study have seen strong performance in the last 12 months, Crawley's house prices have only increased by 0.98%, significantly below the 6.8% recorded in Basildon. According to Land Registry data, the average property prices in the district is £285,000, approximately £45,000 less than Basildon.

Unlike Basildon, Crawley has a relatively active town centre development pipeline. There have been 9 applications approved in the town centre proper over the last 2 years, ranging from 33 units to 182 units and comprising a mix of PDR office to residential conversions and new build schemes. The majority of developments have, much like Basildon, been on the fringes of the town centre including two major schemes under construction at Forge Wood and Kilnwood Vale, which will accommodate up to 4,400 new homes upon completion.



## Hemel Hempstead

### Retail & Leisure Market

Hemel Hempstead town centre is the primary retail destination within the Dacorum District Area. The town centre is predominantly pedestrianised, and is home to a mix of chain stores and independent retailers, alongside two purpose-built shopping centres. Much like Basildon, the town centre's retailing is in long term decline, exacerbated further by the COVID-19 pandemic which has reduced footfall significantly. A further key challenge for retailers is insufficient footfall, due to the lack of town centre jobs.

Again, much as with Basildon, a report by KPMG considered that Hemel Hempstead has an oversupply of retail and a considerable lack of cultural and leisure facilities, and one of the future concerns for the town will therefore be how to consolidate and rationalise the existing retail/leisure facilities so they best reflect the current and future market.

### Office Market

Hemel Hempstead's market area as a whole comprises approximately 2.98 million sq.ft. of office space across 182 buildings, and as such is significantly larger than Basildon. However, like Basildon much of this space is outside of the town centre; Hemel Hempstead Industrial Estate and its surrounds contribute approximately 1.4m sq.ft. of this space, with the town centre itself housing approximately 700,000 sq ft; as a comparison, only approximately 256,000 sq.ft. of the approximately 1.9m sq.ft. of office stock in Basildon is within the town centre (Costar).

As with Basildon, the Dacorum Employment Land Availability Assessment shows that office floorspace has fallen in the Borough's town centre and identifies the concern that further losses in Hemel Hempstead will force some local businesses to relocate out of the town.

Hemel Hempstead town centre struggles to be seen as an attractive option for businesses, something that is reflected in the price of commercial property. Average market rents for offices in the town centre are currently approximately £19psf (Costar), although this still compares favourably with Basildon's approximate rent of £16 psf.

The approximate rental rate around Hemel Hempstead Industrial Estate is £21.30 psf (Costar), which indicates there is lower demand from businesses to establish in the town centre. The same is the case in Basildon, where approximate rents are £17.00 psf outside of the Town Centre.

### Residential Market

As demonstrated by the residential sale value heatmap (right), whilst the Dacorum District as a whole is desirable and has high average values reflecting its presence on the edge of the Chiltern Hills, coupled with its relatively rapid transport into London, Hemel Hempstead itself is a "cold spot" within the district, with average values of c. £447,000 compared with c. £600 – £700,000 in the surrounding countryside and small towns.

This same effect can be witnessed, to a lesser extent, in Basildon, although in and around Basildon achieved values are notably lower.

In spite of this, and as shown in Figure 17 above, Hemel Hempstead town centre has still performed well on a £psf basis in the last year when compared with the other Comparator Towns, with the highest average £psf rate for new build transactions. It should be noted, however, the number of new build transactions that have taken place within



Hemel Hempstead town centre is relatively low in comparison to Aylesbury and Bracknell, although this is likely due to a lack of supply, and therefore likely to change in the near future with several developments recently commencing or in the process of completing within the town centre and surrounds, such as The Exchange (52 units) and The Gade (c.200 units).

## ***Bracknell***

### ***Retail & Leisure Market***

Bracknell's retail and leisure market comprises approximately 2.4 million sq.ft. of floorspace, of which c. 1.3 million sq.ft. is located in the town centre, making it marginally larger than Basildon (Costar). The market expanded significantly in 2017 with the delivery of the Lexicon; more than a third of the town centre's 1960s stock was redeveloped into the 1 million sq.ft. retail-led scheme. The next phase of the town's redevelopment started in early 2021 after the Council secured £950,000 of funding from the Thames Valley Berkshire Local Enterprise Partnership. The grant is for a new development coined "The Deck", which will provide a covered public space with shops, bars, restaurants, leisure and entertainment facilities.

As with Basildon, rental growth took a hit in early 2020 due to the initial lockdown, with Q2 2021 recording -3.9%. Retail vacancies are considerably tighter than Basildon, having risen by just 0.5% to 2% in the 12 months to July 2021. Rents in both locations have suffered throughout the COVID-19 pandemic, having fallen 4.3% in Bracknell and 16.2% in Basildon over the last 12 months. This is the weakest performance observed over the last 5 years across both locations, albeit expected due to the pandemic and market uncertainty (Costar).

That said, market sentiment appears to be rebounding, with the Lexicon signing Mike Ashley's Frasers Group for 40,000 sq.ft. in February 2021 for its Sports Direct, USC Game and Evans Cycles brands. It joins Fenwick, M&S, Primark and Cineworld, as well as recent signings including The Real Greek, Gymfinity and Crew Clothing.

### ***Office Market***

There is currently c.4.8 million sq.ft. of office accommodation within the Bracknell Forest area, approximately 3 million sq.ft. larger than the Basildon submarket. Like Basildon, the majority of stock is located on the outskirts of the town centre in business parks, where there are several large international occupier headquarters located including Waitrose, Honda and Fujitsu. According to the Council's Vision 2032, the town centre provides just 10% of the submarket's total provision.

Despite the pandemic, fundamentals in the Bracknell market have remained relatively stable with vacancies sitting around 5% since 2019, in part owing to a significant deal in August 2020 where US pharmaceutical company Eli Lilly took 43,000 sq.ft. at the recently refurbished Arlington Square West. Much of the recent demand has been on the back of the opening of the Lexicon, with Arlington Square, in particular, attracting a flurry of new occupiers including eTeach, Lloyd's Register and Quest Software. Bracknell has grown into a burgeoning tech hub in recent years with strong demand from TMT, financial and business services firms. Several major occupiers include Panasonic, Vodafone, Honeywell, Dell and 3M.

Average rents have also been on an upwards trajectory since 2014, fuelled by the dearth of new supply and increasing demand. Eli Lilly are paying £29.00 psf for Arlington Square, albeit this is for new build space. Average rents are around £21.00 psf for the more dated stock which makes up the general character of the town centre. This is significantly above Basildon's achieved town centre rents.

Owing to Bracknell's strategic location between Heathrow and Gatwick airports, the town's market is notably more active than Basildon's. As with Basildon, there have been four sales transactions recorded in Bracknell in the 12 months from July 2020, however the quantum and quality vary. In Bracknell, 399,000 sq.ft. of floorspace was transacted, significantly more than the 49,000 sq.ft. recorded in Basildon.

In the same vein as Basildon, Bracknell has lost a significant amount of stock to residential conversions due to extremely strong house price growth. In total, the submarket's inventory has shrunk by 10% over the last decade, emphasised by a consistent period of limited new development since 2012, with just 33,000 sq.ft. delivered across one building in 2019 (Costar). The Council's Vision 2032 recognises there is a lack of good quality town centre stock, due to the stronger demand for residential and out-of-town business parks and aims to encourage the development of new office space.

## ***Residential Market***

Average house prices in Bracknell have declined over the last four years, decreasing 16% to £354,000 as at May 2021. At the start of the pandemic, in March 2020, the lowest average price was recorded at £330,000, however, following the introduction of the stamp duty holiday, prices have started to pick up.

Like many of the towns in this study, Bracknell has absorbed the majority of its growth in the fringes. Family sized housing has dominated the development pipeline in recent years with 750 dwellings at Berkeley's Woodhurst Park and 1,000 dwellings at L&G's Buckler's Park currently under construction. Due to the strong house prices, large scale developments tend to attract the premium housebuilders.

There is a growing new build pipeline within the town centre itself after a flurry of approvals in the 24 months. The larger schemes include 242 new dwellings at the old bus depot, 126 apartments at Bracknell Town Football Club and 52 at Coopers Hill Youth Centre.

## ***Aylesbury***

### ***Retail & Leisure Market***

The Aylesbury retail and leisure market comprises approximately 1.6 million sq.ft. of floorspace, slightly larger than Basildon's offer (Costar). The town centre comprises the greatest share of this floorspace, and is dominated by two primary shopping centres: Friars Square Shopping Centre (c.280,000 sq.ft.) and Hale Leys Shopping Centre (c.100,000 sq.ft.). The former is considered the prime offer, anchored by House of Fraser with other major tenants including H&M, Rush Fitness and Flip Out. The latter provides more of a secondary retail offer, housing brands including Boots, Bargain Buys and The Works.

Aylesbury Shopping Park, a c.200,000 sq.ft. retail park is located just north of the town centre and houses brand names such as Argos, Curry's PC World and Sports Direct, with Lidl and Aldi also nearby. In addition and located further out of the town centre is Broadfields Shopping Centre, a c.135,000 sq.ft. retail park with brands including M&S, Next and TK Maxx.

Buckinghamshire overall is among the most affluent areas in the UK, with average disposable incomes and retail spending significantly above the national average; this demographic is generally consistent in Aylesbury and is reflected by the types of brands located in the town.

Retail vacancies in Aylesbury have been on an upwards trajectory since 2016, rising from their lowest of 1.8% in mid-2016 to their highest at 5.6% in Q4 2020. Despite the increase, rates still remain significantly tighter than Basildon. Meanwhile, rents have collapsed in the past year, tumbling 4.5%, albeit a comparatively softer fall than in Basildon. As at July 2021 average market rents in Aylesbury were around the £21.00 psf (Costar).

### ***Office Market***

Aylesbury is not considered a major office location which is reflected in the supply, quality and development pipeline. The town's offer comprises c.1m sq.ft. of floorspace (Costar), split between the town centre and out-of-town industrial parks. There is no out-of-town business park which indicates there is likely a lack of demand. This can partly be attributed to the town's proximity to major employment locations including Oxford, High Wycombe, Watford and Milton Keynes, where the office markets are far larger and more established.

In recent years the town has seen a large amount of office space converted to residential under PDR, meaning that whilst there is a very low vacancy rate of 1.4% within the town centre, this is to a degree attributed to the contraction in supply. One of the most significant conversions was the 130,000 sq.ft. Rothmans Building, which in 2019 was converted into 193 flats (Costar).

The main employer within the town is the Public Sector – namely Buckinghamshire Council and the NHS – in which more than one in five of all jobs in Aylesbury are based. There are a number of innovative facilities starting to establish themselves in the Aylesbury Vale area, including in close proximity to Aylesbury itself as supply chain links to Silverstone through advanced automotive manufacturing are established.

In terms of sales, there have been four recorded in the last 12 months, totalling 93,000 sq.ft. Take-up in the town over the last 12 months has totalled just 18,000 sq.ft. across 7 buildings. Only two transactions were recorded in the town centre proper with the remaining located in the industrial parks on the fringes. This is notably less than Basildon, where 44,000 sq.ft. was transacted over the same period (Costar).

Rents fell by 2.1% over the last 12 months as a direct result of COVID-19. Prior to the pandemic, rent growth has been minimal with average market rents sitting around the £15.00 psf mark since 2016. The combination of a lack of demand and supply means there is limited choice for occupiers looking to enter the market. As a result, rents are not being pressurised which is discouraging development. There is approximately 11,000 sq.ft. underway in Aylesbury, which is the most space under construction in more than 4 years (Costar).

### ***Residential Market***

Between 2012 and 2017, Aylesbury saw a 40% rise in residential property prices owing to the London ripple effect and other local factors. The town had the highest percentage increase in the UK in 2016, with residential values growing by 21.5%, and this positive trend has continued over the last 12 months, with Land Registry recording an 8% house price growth.

The rise in pricing can partly be attributed to the demand for housing in the area; Aylesbury's population of around 85,000 people has seen some of the fastest growth in the UK with 9,000 new residents moving to the town in the last 5 years. This is an increase equivalent to 12% and four times the growth rate nationally. COVID-19 has only boosted this trend as many house hunters looked to relocate out of London; where in April 2019, only 28% of people signing up for viewings in Aylesbury Vale were from London, since the pandemic, that number has risen to 44%.

However, it is notable that in spite of this growth, achieved new build values in Aylesbury in the last 12 months (figure 17 above) are some of the lowest of all the comparator towns, which is in contrast to Buckinghamshire as a whole, where values are generally high (figure 17 above).

Housing delivery constraints resulting from a lack of developable brownfield land, and the presence of the green belt around many of these towns further constraining development, have created affordability pressures in Aylesbury's neighbouring towns as prices have increased in response to the lack of supply. Conversely, Aylesbury itself has a significant capacity for new homes: it has town centre brownfield/ PDR sites that are suitable for development, and the ability to deliver urban extensions due to the lack of green belt, which combine to suppress values compared with these neighbouring towns.

The aforementioned high values and the lack of availability in neighbouring towns, combined with Aylesbury's relative affordability and unmatched local capacity for new homes, alongside its growing appeal as a well-connected town within the Oxford Cambridge Arc, has in part initiated the influx of people to Aylesbury in recent years.

The town secured Garden Town Status in 2017, and in total over 16,000 new homes are set to be delivered by 2033, focused in new garden communities located around the southern fringe and north-west point of the town, with further flatted development to be encouraged in Aylesbury Town Centre itself. The Kingsbrook and Berryfields developments are on site, with the total delivery at completion of c.2,450 2, 3 and 4 bedroom homes at the former, and c.3,000 homes at the latter.

In contrast to Aylesbury's growing suburbs, the town centre has seen comparatively little residential development. The Conservation Area status that envelops the centre has ensured the town remains an attractive neighbourhood for those residents that are in the town centre, with the Old Town in particular reflecting the traditional vernacular of the area with period and listed dwellings, such as in Walton and Victoria Park, areas that are characterised by Victorian/Edwardian terraced properties.

### ***Conclusion***

This comparative study section demonstrates that many of the same issues and struggles in Basildon are also manifesting in other town centres because of a similar macroeconomic climate.

The majority of these town centres struggle to create the critical mass of office space to truly establish themselves as a viable office location of scale, with the very real risk of vacancies post-completion hindering speculative development at the same time as existing office space is removed from the market to be replaced with residential via PDR, thus further constricting the market.

Whilst it is imperative to the vitality of any town centre to have commercial space that is let and then used frequently, the delivery of new space above and beyond the capacity of the town and its surrounds will typically see vacancy rates extend outwards.

Additionally, many new towns in particular struggle from an over-provision of existing retail which creates, in a best case scenario a disparate retail area, and in a worst case scenario a high level of vacancies, due to over-supply coupled with a

lack of fit for purpose space. The exception to this is typically when a form of government/ local government intervention has initiated development, whether that is through taking a lease at a new office building as per Crawley, or by encouraging commercial activity by incentivising new companies to move to the area, as with Harlow's Enterprise Zone.

This approach has been utilised in Basildon, where the Council has taken an active involvement addressing the lack of leisure provision in the town centre with the Empire cinema development. The letting of the cinema space to Empire, and the recent letting of one of the six restaurant units to Loungers Bar, are key steps towards both reinvigorating the town centre retail offer, and perhaps more importantly re-focussing and organising that offer.

The composition, organisation and overall provision of commercial space within town centres clearly affects their vitality, and so ensuring the mix and location of commercial provision is organised logically will give these types of towns the best opportunity to thrive into the future.

From a residential perspective, Basildon is fairly typical amongst the comparator towns. They all have infrequent residential delivery within their town centres, and what is delivered is predominantly PDR development of 'redundant' office space. The majority of the new build development of scale typically takes place on the outskirts.

However, it appears as though this trend may change in the near future in Basildon, as its favourable transport connectivity to London, and lower values (compared with London) appear to be initiating a prospective wave of development in and around the town centre, with planning permissions currently signifying a potential pipeline of c. 4,000 new homes.

