



GL Hearn

Hockley Property Market Overview – In support of the Town Centre AAP

September 2012

Prepared by

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Contents

Section		Page
1	INTRODUCTION	3
2	RETAIL COMMENTARY	4
3	COMMERCIAL LEISURE COMMENTARY	7
4	RESIDENTIAL MARKET COMMENTARY	8
5	EMPLOYMENT MARKET COMMENTARY	11

1 INTRODUCTION

- 1.1 GL Hearn was appointed as part of an Allies and Morrison Urban Practitioners (AMUP) led team to produce an Area Action Plan for Hockley Town Centre. GL Hearn's role has been to provide property market and high level viability advice to ensure that development proposals are robust and based in commercial realism.
- 1.2 The following section provides commentary covering all relevant market sectors including retail, commercial leisure, residential and employment. Where appropriate the commentary briefly identifies the national trends before focusing on local level characteristics. When considering the potential of a specific area it is important to understand the wider market context as this inevitably has a role in influencing investment, development and occupier market activity at the local level.
- 1.3 Despite the general market uncertainty since the 2007 credit crunch, more recently there have been some encouraging signs especially in London and South East. This is typified by an increase in developers and investors re-entering the market place after a sustained period of inactivity. Progress does however remain slow whilst developers/investors carefully consider how best to progress plans in light of a likely period of slow growth and continued restricted bank lending. Inevitably developers are focusing on lower risk locations which have a clear road map to delivery.

Location and Study Area

- 1.4 Hockley has a resident population of circa 10,000 and is located approximately 5 miles to the north west of Southend-on-Sea within the District of Rochford. The town is located between the larger centres of Rochford, to the south east, and Rayleigh to the south west. It is located on the Great Eastern rail connection between Southend and London Liverpool Street, which supports commuting from the centre into London. In terms of road networks, Hockley is accessed by car via the B1013 from Rayleigh and Rochford. Thereafter, the road connects with the A127 which links to Southend-on-Sea and Westcliff-on-Sea to the south, and Wickford and Basildon to the West.
- 1.5 The study area covers the train station area, the Eldon Way and Foundry Industrial Estates, Spa Road, and the central sections of Main Road and Southend Road. This covers the area broadly considered to be Hockley's centre. Beyond the core study area, Hockley quickly shifts to a suburban residential character, with pockets of higher value detached housing.

2 RETAIL COMMENTARY

- 2.1 There is no doubt that the economic downturn prompted by the 2007 credit crisis has had significantly adverse impact on the retail and leisure market, initially bringing a sharp correction to an overheated investment market and subsequently feeding into the occupational market. Press coverage of retailer insolvencies and general financial difficulties has been extensive.
- 2.2 The occupational market is now becoming healthier, with one of the main constraints on growth actually being the lack of new, good quality retail stock arising from the development market almost entirely grinding to a halt since 2008. However, the main focus of activity is central London, major regional centres and the more affluent market towns. In contrast, secondary and tertiary locations, both in terms of town and pitch, are struggling with little sign of recovery from the current cycle.
- 2.3 In terms of Hockley's retail provision, the town centre is the smallest of Rochford District's three main centres and comprises 64 retail units and approximately 7,000 sq m of retail floorspace according to the 2008 District Wide retail study. A key finding of the retail study found that Hockley was performing poorly in terms of expenditure retention and questioned whether it was currently meeting the definition of a 'town centre' as set out in PPS6. The study also identified that Hockley lacked suitable larger retail premises for prospective traders and was unlikely to attract national multiples due to its size and proximity to larger centres.
- 2.4 Given the scale and size of the offer in Hockley its primary function is to provide a range of convenience and comparison goods to serve daily and weekly needs. Hockley has few high-street multiples but a reasonable selection of independent comparison shops. Despite obvious deficiencies, the town appears to be trading relatively well and meeting the general needs of its immediate catchment. That said it is clear that the range of offer and quality of the environment could be significantly improved, which would greatly assist in contributing to the overall regeneration of the area and help to attract new investment to the town.
- 2.5 At the southern end of the study area, a collection of community uses, comprising a library, Health Surgery and the Parish Council is found. In terms of national occupiers the Co-op has had a long established presence in the town and more recently Sainsbury's have opened a small local format store located on Spa Road.
- 2.6 In terms of demand from national multiple retailers a review of leading property market databases indicates that there are no active requirements. However, we would highlight that this is not uncommon for secondary retail locations as the size and configuration of units available often do not meet the operational requirements of national operators. The lack of requirements on national databases does not preclude there being demand from occupiers if the right form of development

can be accommodated and an opportunity is actively marketed. Further local agents indicate that there is a steady demand from independent traders for Hockley and of when units do come available they do not remain vacant for long.

2.7 According to local agents most of the retail stock in Hockley comprises units of less than 1,000 sq ft and units typically let between circa £5,000 - £12,000 per pa (£15 - £22 per sq ft on an overall basis). The relatively low rents achieved in the area are a reflection of the quality of units available but also reflect the rental values that smaller independent retailers can afford to pay in the area. The table below provides indication of the retail deals completed in Hockley from 2009 according to the EGI database.

Address	Size(sq ft)	Price	per annum	per sq ft
1 Broad Parade, Hockley, Essex, SS5 5DA	500	£197,000	£10,652	£21.30
1 Broad Parade, Hockley, Essex, SS5 5DA	500	Not quoted	£10,652	£21.30
37 Spa Road, Hockley, Essex, SS5 4AZ	984	Not quoted	£12,000	£12.20
1 Spa Road, Hockley, Essex, SS5 4AZ	424	Not quoted	£9,500	£22.41
36 Main Road, Hockley, Essex, SS5 4QS	2,010	Not quoted	£35,750	£17.79
29 Spa Road, Hockley, Essex, SS5 4AZ	2,935	Not quoted	£35,500	£12.10
5 Bramerton Road, Hockley, Essex, SS5 4PJ	855	Not quoted	£6,000	£7.02
7 Main Road, Hockley, Essex, SS5 4QY	634	Not quoted	£10,500	£16.56
5 Bramerton Road, Hockley, Essex, SS5 4PJ	855	Not quoted	£6,000	£7.02

Source: EGI

2.8 There is very little evidence of investment sales in the area and therefore it is extremely difficult to analysis current investment yields. The retail market has moved out considerably since 2008, given the subsequent economic fallout. Given the predominately independent nature of the tenants in the area investment would be considered medium to high risk and therefore would be reflected in the investment yield achievable. Clearly new product / development which attract a national covenant would clearly attract a keener yield.

Food Retail Commentary

2.9 The convenience sector is one property market sector that has managed to buck the trend with the majority of main operators reporting good returns despite the economic downturn although results have started to tail off more recently. In general terms the competition to grow market share generally remains strong. In terms of property, this has resulted in the operators showing greater flexibility on the size and formats of new stores. They are also actively adding floor space to existing portfolios with mezzanine floors and store extensions.

2.10 Rental values and investment yields vary greatly depending on the location, size and format as well as other considerations such as the ratio of car parking space and integration of other uses etc. As mentioned above the food store market has been extremely active over the past two years and the deals which have been completed would indicate a range of rental values from £17.50 per sq ft for

smaller stores in secondary locations up to £30.00 for uncompromised stores in prime locations. In terms of investment yields the evidence would indicate a range from 4.5% to 5.5%.

- 2.11 It is difficult to generalise on foodstore requirements. One of the main focuses of operator activity at the moment is the smaller town centre 'local' stores. However, with J Sainsbury and the Co-op already having small stores in central Hockley, we would not expect to see further demand for this format.
- 2.12 Looking at larger stores, operators will have regard to a number of factors including catchment and competition which will be examined in a wider context than just that of the nearest town. They will of course also be influenced / constrained by availability of land and relevant planning policy. So whilst a retailer may be interested in developing a superstore adjacent to a relatively small town to mop up expenditure from the wider area, in many cases this will not be acceptable in planning terms and we would expect that to be the case in Hockley. That being the case, and based on a high level examination of local provision, we might expect there to be demand for a relatively modest store in the 2000 - 3,000 sq m range.
- 2.13 Notwithstanding the inevitable technical issues around land assembly and developing on former industrial areas, the Eldon Way development opportunity is the only site in the core centre which would be capable of providing a suitably sized store within the town centre. The comprehensive redevelopment of Eldon Way replacing poorer quality industrial uses with a mixed use scheme of sufficient critical mass will help to create an improved focal point which the town is currently missing.

3 COMMERCIAL LEISURE COMMENTARY

- 3.1 A diverse mix of uses will generally enhance the vibrancy of a centre, and leisure can be a very important part of that mix. It is complementary to the main retail function as well as generating specific trips. That said, from a commercial perspective it is quite a 'low margin' use and is therefore reliant on significant visitation levels which impacts on the size of catchment area that it will be dependent upon.
- 3.2 Ultimately this is the problem for Hockley. Its small resident population combined with its proximity to larger centres, particularly Southend-on-Sea, will render it unsuitable for a number of the key leisure sectors. For example, cinemas are increasingly seen as an important adjunct to a retail offer and the advent of digital cinema does make them more economical to provide on a smaller scale, but even so their required catchment will be well in excess of that provided by Hockley. The bowling sector has stagnated over recent years with few operators being acquisitive. Whilst the facility currently provided on the Eldon Way industrial site is arguably in the wrong place, it does enable the operator to make use of cheap floorspace and must be considered an asset to the town. Similar comments would apply to the gym and Children's play centre, although such facilities generate little in the way of linked trips and so town centre locations are perhaps less important.
- 3.3 The food and beverage sector does fall into the category of leisure. This is becoming a very important and ever more prominent part of the town centre mix and is certainly one of the more acquisitive occupational sectors in the market. Gone are the days when shopping centres would tuck away their food offer in a less than prominent location – it is now a key driver for visits and for extending dwell time. Well located units in busier locations, particularly capitalising on quality public realm where outdoor seating can be provided are likely to find demand albeit again the small size of catchment in Hockley will limit interest from national multiples.
- 3.4 A centre of the size of Hockley will always struggle to compete with larger centres in the sub-regional catchment wholly based on its commercial leisure offer. If it is to attract more visits and extend those visits to maximise expenditure, it needs to ensure that it is offering a more diverse range of attractions, and tourism and cultural pursuits are an important element of that. Hockley already has a good range of historic and interesting buildings including the Spa, the Bull Inn and the White Swan pubs as well as the former Hockley Spa building and the Old fire Station etc. An important part of any long term planning exercise will be to ensure that these are seamlessly integrated into the more commercial elements of the centre promote linked trips which will result in dwell time being maximised.

4 RESIDENTIAL MARKET COMMENTARY

- 4.1 Much has been written over the last few years about economic performance and outlook. Following the “credit crunch” in 2007, banks began to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. The net effect of this was to reduce liquidity in the financial markets and credit availability and in tightening lending criteria for current and prospective homeowners.
- 4.2 This has had a significant and sharp impact on the affordability of market housing, with the most noticeably affected being ‘first-time buyers’ (FTBs) and buy-to-let (BTL) investors who are particularly reliant on more flexible lending criteria. As a result the apartment market in many UK centres has seen significant slowdown, with many developers opting for lower density family housing, which tend to appeal more to the owner occupier and family markets.
- 4.3 In terms of house prices according to Nationwide House Price Index, average house prices in the UK fell by 1.0% in the second quarter of 2012, after allowing for the usual seasonal effects. Prices were down 1.1% compared with the same quarter in 2011. Average house prices in the UK are now just over £160,000 with average house price in the south east at just over £200,000.
- 4.4 In general terms both market activity and house price growth are relatively subdued. Across the UK the short-term outlook appears to be for much of the same according the Council for Mortgage Lenders (CML). The CML consider that the recent Government initiatives to stimulate the market – the new-build indemnity scheme and enhanced right-to-buy policy – will help stimulate transactions but concludes that set against wider market drivers (and the removal of stamp duty concessions in March 2012), ‘the benefits are initially likely to be incremental rather than transformative in nature.’
- 4.5 Continuing high unemployment, which is forecast to persist through 2012 and beyond, is forecast by CML to result in an increase in repossessions in 2012. Critically, the market outlook could be significantly impacted by developments in the Eurozone sovereign debt crisis.
- 4.6 Despite the general market condition the major house builders are actively pursuing opportunities again after a period of relatively inactivity. Many of the house builders have released promising trading figures in their latest accounts. There is evidence of a growing north south divide, with house builders generally focusing on the perceived lower risk opportunities in terms of geographical location and site specific characteristics.
- 4.7 In terms of Hockley it is clear from our market research that residential use will play an important role in the enhancement to Hockley town centre. Residential in central areas adds vibrancy to the town and extends its hours of operation as well as fuelling use of retail and leisure facilities by the

resident population (accessible on foot). The scale and strategic position next to the Railway Station of the Eldon Way development opportunity creates the potential for a range of residential uses.

- 4.8 Prior to the credit-crunch, many town centre retail development proposals included significant amounts of flatted-accommodation on the upper storeys. To some extent this was seen as ‘good planning’, providing appropriate densities for the town centre, increasing the vibrancy of central areas and also enhancing security through overlooking. It was also seeking to capitalise on the perceived values to be secured particularly from a burgeoning buy-to-let market.
- 4.9 However, in many cases this type of accommodation did not find a market outside major regional centres leading to the insolvency of some major players in the market and the stalling of many schemes. Hockley has seen small number apartment developments, however, as per the national trend, such accommodation is very price sensitive. As such we would envisage the residential element to predominately to comprise a range of lower density family housing.
- 4.10 Set out below are some of the key residential indicators including the residential values currently being achieved in Hockley. The table illustrates that average values range from circa £133 k for flats to circa £348 k for detached housing. This represents a range in average values on a £160 per sq ft for flats up to £229 per sq ft semi-detached housing.

Property type	Avg current value	Avg £ per sq ft.	Avg beds	Avg. £ paid (last 12m)
Detached	£348,291	£222	3.6	£320,405
Semi-detached	£213,358	£229	3.0	£211,201
Terraced	£179,704	£226	2.8	£182,937
Flats	£133,278	£160	1.8	£156,400

Source: Zoolpa

- 4.11 The table below provides an indication of the sales values in Hockley according to the number of beds.

Number of Beds	Average Asking Prices
1 bed flat	£127,313
2 bed flat	£173,530
2 bed house	£223,093
3 bed house	£275,420
4 bed house	£403,250

Source: find a property.com

Affordable Housing

- 4.12 Inevitably affordable housing will be a key issue in respect of viability. Policy H4 of the Council’s Local Development Framework Core Strategy Submission (September 2009) states that ‘At least 35% of dwellings on all developments of 15 or more units, or on sites greater than 0.5 hectares, shall be affordable.

- 4.13 It goes on to highlight that the Council will aim for 80 percent of affordable housing to be social housing, 20 percent intermediate housing. However the Council will constantly review the affordable housing needs of the District and developers should consult with the Council's Housing Strategy team to ensure their proposals meet the Council's needs before submitting planning applications.
- 4.14 The guidance also states that the requirement for the provision of affordable housing will only be relaxed in highly exceptional circumstances, for example where constraints make on-site provision impossible or where the developer is able to definitely demonstrate that 35% provision will be economically unviable, rendering the site undeliverable. In such cases the Council will negotiate the proportion of affordable dwellings based on the economic viability calculations.

5 EMPLOYMENT MARKET COMMENTARY

5.1 In addition to retail and residential uses the other main land use within the study area is the employment / industrial area to the north of Spa Road. Hockley has an extensive range of employment uses for the size of the town but the quality of accommodation is extremely varied. The Eldon Way employment area represents a significant opportunity for Hockley to improve and diversify its existing offer and to regenerate an area of the town which may be coming to the end of its economic life without significant further investment.

5.2 The Trading Estate itself comprises 33 units and circa 188,000 sq ft of accommodation. London and Cambridge are the major landowner in the area, however, a number of the units have been either sold or let on long term leases. The table below provides an indication of the current availability within the estate according to EGI databases. The table below also provides a good indication of the current rental levels in the estate which typically range from circa £4.00 to £5.00 per sq ft.

Address	Unit description	Unit size(sq ft)	Asking rent (£ psf)
Eldon Way, Hockley, SS5 4AD	Unit 7A	956	£8.37
Eldon Way, Hockley, SS5 4AD	Unit 26	3465	£4.18
Eldon Way, Hockley, SS5 4AD	Unit 25	3475	£5.04
Eldon Way, Hockley, SS5 4AD	Unit 11	5423	£2.21
Eldon Way, Hockley, SS5 4AD	Unit 17	6133	Not quoted
Eldon Way, Hockley, SS5 4AD	Unit 4	6473	£4.56
Eldon Way, Hockley, SS5 4AD	Unit 19	7249	Not quoted
Eldon Way, Hockley, SS5 4AD	Unit 18	8612	Not quoted
Eldon Way, Hockley, SS5 4AD	Unit 6	9528	£3.93
Eldon Way, Hockley, SS5 4AD	Units 2-3	12992	£4.21
Eldon Way, Hockley, SS5 4AD	Unit 20-21	13585	Not quoted

Source: Egi

5.3 The estate has already seen some recent approvals for conversion of employment units to leisure uses in recent years and now comprises Cully's Gym, CJ's Bowling Alley and Monkey Business a children's indoor adventure play area. It is important to highlight however that the industrial estate remains a significant employment location and any future development will require carefully consideration in respect of achieving the appropriate balance between the retention of existing jobs and the wider economic and regenerative benefits that redevelopment of the site could bring. This issues was reinforced in the 2008 Employment Land Study, which stated that this area was strategically well placed and, if reallocated for alternative uses, provision should be made for office use within Hockley town centre.

5.4 In addition to the Hockley Trading estate the area also includes The Foundry Business Park which comprises a number (23 units) of small businesses who ranging from automotive through sports/health and Craft/leisure occupiers.

5.5 The table below sets out the recorded transaction for industrial use in the town from 2006 to 2012.

Address	Deal date	Property type	Size(sq ft)	Price	per annum	£ per sq ft
Units 15-16, Eldon Way Industrial Estate, Eldon Way, Hockley, Essex, SS5 4AD	01/03/2012	Industrial / Distribution	10,120	£280,000	Not quoted	
Units 17, 18 & 19, Eldon Way Industrial Estate, Eldon Way, Hockley, Essex, SS5 4AD	09/12/2011	Industrial / Distribution	21,935	Not quoted	£88,000	£4.01
172 Ferry Road, Hullbridge, Hockley, Essex, SS5 6JZ	09/09/2011	Office, Industrial / Distribution, General	2,182	Not quoted	£15,000	£6.87
Unit 13, Eldon Way Industrial Estate, Eldon Way, Hockley, Essex, SS5 4AD	13/04/2011	Industrial / Distribution	4,913	Not quoted	£9,600	£2.85
Unit 7A, Eldon Way Industrial Estate, Eldon Way, Hockley, Essex, SS5 4AD	08/11/2010	Industrial / Distribution	956	Not quoted	£7,000	£7.32
Unit 14, Eldon Way Industrial Estate, Eldon Way, Hockley, Essex, SS5 4AD	04/05/2006	Industrial / Distribution, Office	7,136	Not quoted	£33,970	£4.76
Main Road, Hawkwell, Hockley, Essex, SS5 4JH	13/03/2006	Office	775	Not quoted	£9,688	£12.50
Unit 9, Foundry Business Park, Station Approach, Hockley, Essex, SS5 4HS	13/03/2006	Industrial / Distribution	1,216	Not quoted	£6,950	£5.71

Source: Egi

Office Market Commentary

5.6 Outside of the main Eldon Way Industrial Estate and Foundry Business Park there is a range of office accommodation located in the town. It is clear from our market research that the main office locations within the District are situated in Rochford and Rayleigh and throughout the District, enquiries are typically for smaller units with interest mainly being shown by local businesses. The table below provides an indication of the range office accommodation currently on the market in Hockley. As the table indicates the units available are for accommodation of less than 2,000 sq ft and typical rents are circa £9.00 per sq ft.

Location / Address	Unit size (sq ft)	Asking Rent rent (£ psf)
Spa House, 69 Southend Road, Hockley	1043	£5.27
Warren House, 10-20 Main Road, Hockley	1200	£9.58
Warren House, 10-20 Main Road, Hockley	1278	£8.99
Warren House, 10-20 Main Road, Hockley	2094	£8.60

Source: Egi

5.7 The table below provides sets out the office transactions recorded in the town from 2006 to 2012.

Address	Deal date	Property type	Size(sq ft)	Price	per annum	£ per sq ft
Suite E, 69 Main Road, Hockley, Essex, SS5 4RG	15/09/2011	Office	1,053	Not quoted	£3,000	
11-11a Spa Road, Hockley, Essex, SS5 4AZ	12/11/2010	Office	650	Not quoted	£6,250	£9.62
45 Southend Road, Hockley, Essex, SS5 4PZ	25/06/2010	Office	1,440	£192,500	Not quoted	
Suite 5, Warren House, 10-20 Main Road, Hockley, Essex, SS5 4QS	11/05/2010	Office	1,200	Not quoted	£11,000	
1 Spa Road, Hockley, Essex, SS5 4AZ	12/10/2009	Office	603	Not quoted	£7,000	£11.61
Suite E, Spa House, 69 Southend Road, Hockley, Essex, SS5 4PZ	01/06/2009	Office	1,055	Not quoted	£5,500	£5.21
Suite 3, 3 Main Road, Hawkwell, Hockley, Essex, SS5 4JN	19/06/2006	Office	624	Not quoted	£7,248	£11.61
Main Road, Hawkwell, Hockley, Essex, SS5 4JH	13/03/2006	Office	775	Not quoted	£9,688	£12.50

5.8 Office development in Hockley would be seen as a secondary investment and as such it would be very difficult to secure private sector funding for any speculative office development in the short term and it is unlikely to be viable in any case. As a result of this weak demand profile, office provision in Hockley is limited at present. In summary, given the current economic climate and secondary nature of the Hockley office market it is unlikely that development would prove viable without significant cross subsidy from higher value uses or public sector support.