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Dear Sam

Hockley AAP - GL Hearn Property Review

Following your letter to AMUP dated 23 May 2013, regarding GL Hearn's property market overview prepared in support of the Hockley AAP we would comment as follows:-

It is important that our previous advice is considered in the context of the prevailing market conditions at the time of the study (September 2012). In spite of poor economic and development market conditions over the previous years, the large foodstore model (5,000 sq m plus) had proved remarkably resilient and we were still seeing the major operators acting acquisitively and paying good rents for large out-of-town formats. That being the case, your interpretation that the main constraining factor at the time would have been planning is correct.

However, there has been a clear drop-off in demand from all the operators for the larger formats and a resultant reduction in rents. The main focus of activity has been on smaller 'metro' formats in town centres other than in locations where there is a clear under-provision. That being the case, in the current market we would no longer consider it to be a given that there would be demand for the larger format. We believe that the size range outlined in the emerging AAP still to be appropriate and we have had a relatively recent enquiry from one of the operators originally contacted who typically has a size requirement of between 2-3,000 sq m. Although this provides further comfort in respect of demand, updated market testing would probably be required to ensure that was still deliverable."

I hope this is helpful.

Please do not hesitate to contact me again should you need to discuss the matter further.

Yours sincerely

Guy Ingham
Associate Director

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