

Transactions and Market Review 2024



Retail & Leisure

OCCUPIER MARKET OVERVIEW

The retail market on the South Coast in 2024 presented a mix of challenges and opportunities. While the region is grappling with broader issues such as inflation, rising operational costs, and the ongoing shift to online shopping, there are still promising trends shaping the market.

Cities like Brighton and Portsmouth, with their strong student populations, continue to see steady demand in key sectors such as affordable fashion, tech, and food, making these areas attractive to both independent retailers and regional/national brands. However, food and leisure sectors have faced stagnation due to increased living costs and food prices, particularly impacting independent occupiers. Chichester stands out as a positive example, with strong occupier demand and rent growth in the past 12-18 months. A significant trend has been the relocation of occupiers to better-quality units, and many independent retailers have taken advantage of reduced costs, thanks to adjusted business rates and rents. Regional and national brands are also continuing to show interest in expanding in the area. In Portsmouth we have been involved in The Cascades Shopping Centre, where we have seen increased occupancy levels and the success of initiatives like Pop Up Shops reflect the strong retail activity in the City centre.

Brighton & Hove continues to thrive as a shopping destination, weathering challenges in the retail sector better than many other towns and cities. The city offers a distinctive blend of shopping and leisure experiences, with well-known high-street brands and a vibrant array of independent and unique retailers in The Lanes and North Laine areas.

Overall, the South Coast retail market is dynamic and adapting to both traditional strengths and modern challenges. Retailers who embrace flexibility, leverage local culture and tourism, and offer unique customer experiences will be best positioned to thrive. Despite the difficulties, there is optimism, with strong demand for well-located retail space and signs of growth in key areas.

BRIGHTON AND HOVE

Prime Rents ZA	£125
Secondary Rents ZA	£45

WINCHESTER

Prime Rents ZA	£150
Secondary Rents ZA	£80

HORSHAM

Prime Rents ZA	£70
Secondary Rents ZA	£40

CHICHESTER

Prime Rents ZA	£135
Secondary Rents ZA	£60

GUILDFORD

Prime Rents ZA	£175
Secondary Rents ZA	£80

PORTSMOUTH AND SOUTHSEA

Prime Rents ZA	£80
Secondary Rents ZA	£40

PETERSFIELD

Prime Rents ZA	£70
Secondary Rents ZA	£40

SOUTHAMPTON

Prime Rents ZA	£120
Secondary Rents ZA	£40

WORTHING

Prime Rents ZA	£70
Secondary Rents ZA	£30

Outlook for 2025

- The retail and leisure market in 2025 will be characterised by greater integration of technology, personalised experiences, and a strong focus on sustainability.
- Retailers will need to adapt to consumers evolving demands for convenience, ethics, and experience, while leisure businesses will tap into the growing interest in health, wellness, and active outdoor pursuits.
- The key to success in the Retail & Leisure market will lie in innovation, whether through embracing new technologies, offering compelling experiences, or meeting the demand for sustainability.
- Current trends and limited availability suggest demand is set to increase even further, reinforcing position as a highly sought-after retail and leisure hub.

Top 8 Deals



125 Church Road, Hove
3,831 sq ft
Let to a wellness centre



93 London Road, Brighton
3,103 sq ft
Let to a national charity



34-36 High Street, Cosham
2,524 sq ft
Let to Greggs



Unit 102, Cascades Shopping Centre, Commercial Road, Portsmouth
10,990 sq ft
Let to Poundstretcher



8 The Square, Petersfield
935 sq ft
Let to Card Factory



14-15 East Street, Chichester
3,097 sq ft
Let to Holland and Barrett Retail Ltd



Ground Floor 34 West Street, Brighton
3,120 sq ft
Let to a national franchise



18-20 Palmerston Road, Southsea
4,072 sq ft
Let to Esquires Coffee UK Limited

Office

OCCUPIER MARKET OVERVIEW

The Brighton & Hove office market remained somewhat subdued during much of 2024, with a 31% reduction in take-up and a high vacancy rate of 18.95%. However, there was cause for optimism towards the year-end with increased levels of activity. Occupiers continued to show a strong preference for already fitted or part-fitted spaces, alongside the continued flight to quality, highlighted by significant lettings in premium Grade A buildings such as the new Portland Building. Additionally, the increasing prevalence of back-to-office policies is gradually reducing remote work as the default, influencing market dynamics positively.

Whilst the office market experienced encouraging activity leading up to the Easter period, this momentum stalled significantly following the announcement of the General Election, which caused a further slowdown in market dynamics. During this period, there was a noticeable drop in new enquiries across all sectors, not just offices. Despite this, post-election, there was a discernible pickup in occupier activity, indicating a renewed confidence and interest in the market as businesses adapted to the evolving economic landscape.

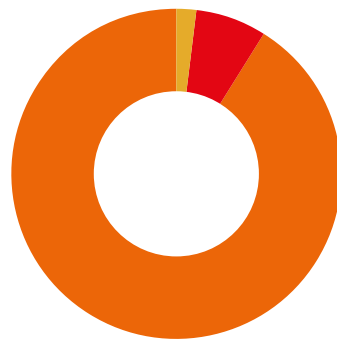
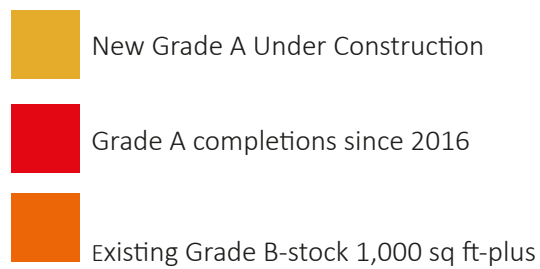
As occupiers continue to embrace a growing back-to-office movement, there was a clear trend of companies seeking to upgrade their office specifications, and aiming to create environments that help to attract their employees back to the workplace. The demand was particularly strong for efficient, modern buildings, whilst

it was noteworthy that only around 5% of available stock benefited from an EPC A rating, further enhancing the demand for such high-performance buildings. In contrast, properties with lower EPC ratings became increasingly less desirable in the market.

Key Points from 2024:

- 177,000 sq ft of offices was taken up in Brighton & Hove – which is considered to be a typical year for the market.
- Q2 was the busiest quarter for take up, with 48,500 sq ft leased, compared with 40,000 sq ft leased in Q3.
- Grade B quoting rents have remained fairly static, with limited rental growth and in some cases reductions in rents achieved.

OFFICE STOCK CLASSIFICATION

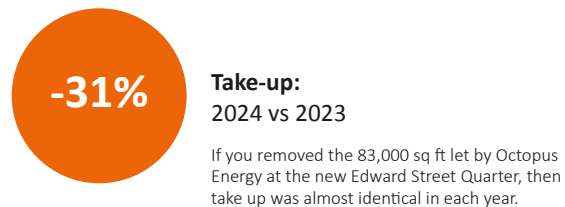


OFFICE AVAILABILITY

18.95%
B&H vacancy rate

686,057
sq ft of available space

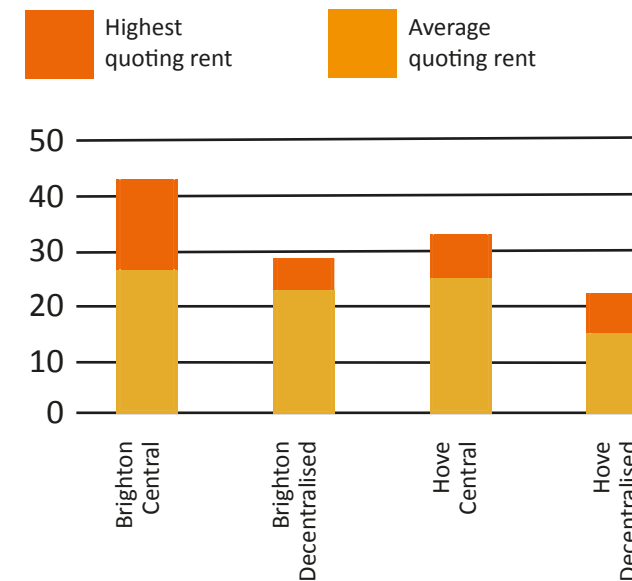
SNAPSHOT



Outlook for 2025

- So far in 2025 the early signs are positive, with the busiest start to the year we have known for several years.
- There seems to be a growing trend of local businesses taking a back to the office approach, resulting in more activity in the market.
- Tight supply of Grade A and continued demand for such space will likely see further letting at £40 psf and above.
- Project completion of Hove Central, brought forward by Moda Living. Comprising 24,000 sq ft of Grade A space in a mixed use scheme – the first of its kind in Hove for a long time.
- Vacancy rate to fall, albeit very gradually (1% – 3%).
- Increasingly, landlords of tired Grade B/C space being left with properties that are unappealing to the market, both in terms of spec and falling below MEES, thus essentially unlettable.

QUOTING RENTS (£ PSF)



Top 8 Deals



2nd Floor, Ridgeland House, 165 Dyke Road, Hove
7,247 sq ft
Let to a pharmaceutical's distributor



4th Floor, International House, 78-81 Queens Road, Brighton
5,175 sq ft
Let to a fashion retailer



1st Floor North, 1 Jubilee Street, Brighton
3,576 sq ft
Let to a service provider



4th Floor, Aspect House, 83-85 Queens Road, Brighton
3,958 sq ft
Let to an insolvency practitioners



Part 1st floor & 6th floor, Plus X Innovation Hub, Brighton
9,273 sq ft
Let to a health & beauty retailer



30-31 Devonshire Place, Brighton
3,383 sq ft
Sold to a firm of management consultants



3 West Barn, Norton Lane, Norton, Chichester
3,394 sq ft
Sold to a private individual



Unit 5 Vinnetrov Business Park, Chichester
1,983 sq ft
Let to NFU Mutual

Industrial/Warehouse

OCCUPIER MARKET OVERVIEW

Following lower than expected levels of take up over the first two quarters of 2024, the latter half of the year showed promising levels of improvement. It is notable that the genuine shortage of built (and available) industrial units across the south coast, coupled with increased levels of occupational activity saw significant levels of rental growth between 2020 and 2022 in particular. It is demonstrable that rents began to plateau in 2023, and that trend has continued to be apparent throughout 2024.

Furthermore, 2024 saw a number of new developments being made available 'to let' in our local markets, including Chichester Business Park, Chichester (Q1 2024), Stanley Court, Chichester (Q4 2024) and Pannatoni Park, Brighton (Q3 2024). In our experience, whilst supply remains limited across the south coast, practical completion of various schemes has resulted in increasing levels of supply across our local markets, in comparison with previous years.

Looking forwards, and 2025 is likely to see a slowdown in terms of new developments, but the confidence in the industrial and warehouse sector remains evident by the likes of Pannatoni's recent purchase in Bognor Regis for another speculative development. It is expected that the rental growth experienced over the past few years will be filtering through to lease events over the course of the next 12 months, and this could encourage occupiers to look for alternative opportunities, creating a 'churn' in the market. It is clear that there remains consistent levels of demand for older, more affordable industrial accommodation, whilst others are beginning to turn their attentions to ESG.

BRIGHTON AND HOVE

Rent (highest quoting £20 psf)	£16.50 psf
Take up	70,000 sq ft
Vacancy	70,000 sq ft
Logged demand	500,000 sq ft
Number of enquiries	136

NEWHAVEN/LEWES

Rent (highest quoting £15 psf)	£14.00 psf
Take up	50,000 sq ft
Vacancy	88,000 sq ft
Logged demand	100,000 sq ft
Number of enquiries	35

EASTBOURNE

Rent (highest quoting £14 psf)	£12.50 psf
Take up	50,000 sq ft
Vacancy	101,000 sq ft
Logged demand	47,000 sq ft
Number of enquiries	4

MID SUSSEX

Rent (highest quoting £18 psf)	£15 psf
Take up	85,000 sq ft
Vacancy rate	100,000 sq ft
Logged demand	370,000 sq ft
Number of enquiries	77

LITTLEHAMPTON/WORTHING

Rent (highest quoting £13.50 psf)	£12.50 psf
Take up	40,000 sq ft
Vacancy	565,000 sq ft
Logged demand	735,000 sq ft
Number of enquiries	58

CHICHESTER/BOGNOR REGIS

Rent (highest quoting £13.50 psf)	£12.50 psf
Take up	50,000 sq ft
Vacancy rate	100,000 sq ft
Logged demand	300,000 sq ft
Number of enquiries	139

PORTSMOUTH

Rent (highest quoting £15.00 psf)	£13.00 psf
Take up	182,000 sq ft
Vacancy rate	646,000 sq ft
Logged demand	261,000 sq ft
Number of enquiries	71

SHOREHAM/LANCING

Rent (highest quoting £17 psf)	£14.25 psf
Take up	15,000 sq ft
Vacancy rate	259,000 sq ft
Logged demand	160,000 sq ft
Number of enquiries	31

Outlook for 2025

- The role of an agent going into 2025 feels more significant that ever in the current environment, with it vital to assess and understand how each business operates and how they can best utilise accommodation.
- Our industrial team continues to see steady levels of activity across the South Coast, whilst availability generally remains low.
- Investment in industrial property to remain strong, with good interest from owner occupiers who are seeking vacant freehold opportunities to relocate their business to.
- Across all sectors, sustainability will likely become a key focus, influencing property values and tenant preferences. Properties that meet green building standards may become more desirable, impacting investment decisions.

Top 8 Deals



Unit 2, Chichester Business Park
7,995 sq ft
Let to Piran



Units 4-6, The Mill, Stane Street, Chichester
6,574 sq ft
Off market letting to Quicksilver Exhausts



Units 9 – 12, Chichester Business Park
From 3,060 sq ft (Total 12,460 sq ft)
Let to a private company



Unit 8, Chichester Trade Centre, Quarry Lane, Chichester
3,337 sq ft
Let to Team Frames



Units 3 & 4 Seaside Woodingdean
6,242 sq ft
Sold to local owner occupier



Consort House, Burgess Hill
9,666 sq ft
Let to local firm relocating



Area A, Goddards Green
968 sq ft
8 Units sold or Let to mix of local operators



62 Beaconsfield Road, Brighton
14,832 sq ft
Let to national car rental occupier

Investment & Development

MARKET OVERVIEW

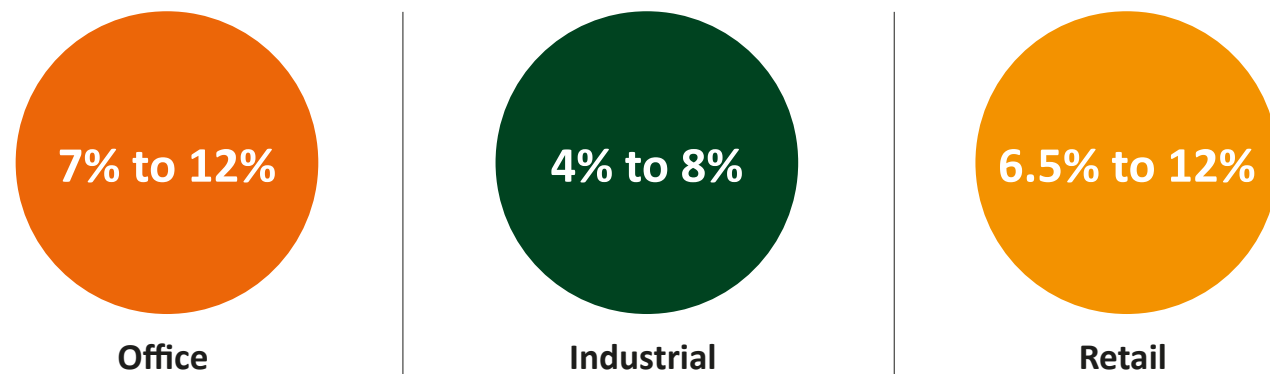
We predicted that the investment market would look fragile in 2024 and so it proved to be. Transaction volumes were down and values flatlined in general or softened. This reflected the global economic sentiment and the many hurdles of 2024, including general elections in both the UK and USA together with the autumn Labour budget.

Interest rates reduced by 25 basis points to 4.75% which was welcomed by agents and investors alike, but it was too little too late to kick start the investment market. This was frustrating as many core elements of the commercial property market were sound. The occupier market for the industrial/warehouse sector continued to perform well and High Street retail has outperformed the last few years in terms of activity with 2024 being a year of strong lettings and a bounce back in rents in good towns and cities. The office occupier market still has some way to go in terms of improved confidence but there is activity with more companies looking to move their workforce back to the workplace. There is, however, within the office market a flight to quality for occupiers which needs to be matched by the investment of Landlords.

Key Points from 2024:

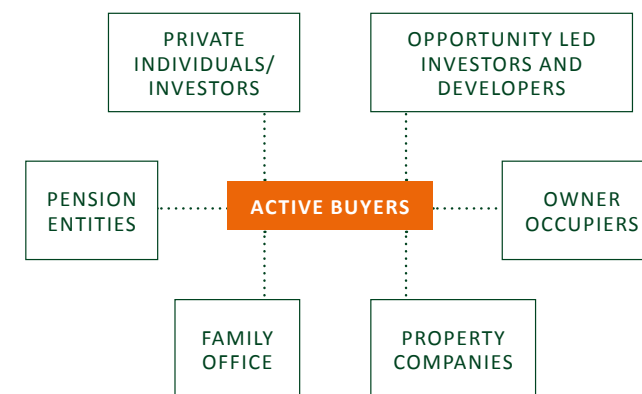
- Market has been 'sticky' with many investors waiting for the bottom of the market
- Increased legislation interventions and due diligence in the buying process lengthening transactional time to the detriment of market activity
- More parties (both investor and occupier) taking into consideration energy performance ratings on properties
- Biodiversity Net Gain requirements landing in late 2024 will affect planning process for 2025 and beyond

AVERAGE SECTOR YIELD RANGE



Outlook for 2025

- Anticipation that more interest rate cuts will happen in 2025 which will help investor sentiment.
- Build costs have levelled out and site values have firmed up, but BNG will have an impact.
- Two-tier market with gap between core long-term higher-quality assets and secondary investment product.
- Outlook generally more positive albeit expected low growth economic period in 2025 still an anchor to better performance.



Top 8 Deals



Shopwyke Lakes Site B1, Chichester
Sold Oct 24 to Mac Stone



3 West Barn, Norton Lane, Chichester
3,394 sq ft
Sold July 24 to King and Drury Property Holdings Ltd



4/5 Northgate, Chichester
3,801 sq ft
Sold April 24 to Simply Brands Limited



2-42 Palmerston Road, Southsea
Convenience Retail Parade Investment. Sold Sept 24 to London and Cambridge Properties



Hyman Fine House 20 Burlington Street, Brighton
26,285 sq ft vacant care home
Sold Dec 2024 for redevelopment



51 Old Steyne, Brighton
Sold May 2024 for 900,000 reflecting a NIY of 5.765%



1 Bell Lane, Lewes
Sold in a sale and leaseback transaction for £1.8M reflecting a NIY of 8.37%



84 Church Road, Hove
Sold in December 2024 from a guide price of £1.45M

Lease Advisory

Overview of 2024

Over the past 12 months, we have seen the rental growth experienced across the industrial/warehouse sector filtering through to rent review and lease renewals. Our lease advisory team have subsequently been able to negotiate increases equivalent to in excess of 50% of the passing rent, for a number of landlord clients. It seems that rents have now plateaued, however, as the increase in development has resulted in supply beginning to 'catch up' with demand.

In terms of offices, Brighton in particular has seen new headline rents being set for Grade A 'plug and play' accommodation, although landlords are still usually required to agree incentives on new lettings, or more flexible lease terms. For more traditional accommodation, or offices situated in less established locations for this use such as Chichester, demand has been limited and rents have remained relatively static as a result. That said, in cases where landlords have been willing to invest in the specification of their properties, rents have shown growth.

Lastly, the retail sector has benefitted from rents being re-based in the larger retail centres, and tenants have continued to take advantage of this by relocating to more desirable pitches. In Prime locations such as Chichester, there have been consistent levels of occupational activity over the past 12 months, and this has resulted in sustainable rental growth. ITZA rents are still considerably less than the respective tones for the various pitches in the high's of 2015/16, but recent lettings suggest rents in some streets have increased by about 30% throughout 2024. In addition, in secondary locations such as Brighton's North Laine shopping district, or other neighbourhood parades, rents have remained more buoyant.

In our view, it is demonstrable that rents across the core sectors continue to be influenced and driven by a number of factors, such as their location, quality and the lease terms being agreed. In order to try and ensure the most favourable outcome, it is always recommendable to seek professional advice when dealing with a lease renewal or rent review, and our local knowledge and extensive database of comparable transactions means Flude Property Consultants are well placed to assist with any properties positioned along the South Coast.



Outlook for 2025

In 2025, the South Coast commercial property market is expected to experience several trends across the Industrial/Warehouse, Office, and Retail sectors.

- Industrial/Warehouse:** Demand for logistics and distribution centres will likely continue to be consistent due to the rise of e-commerce. Companies may look for properties that are strategically located near transport links, particularly as supply chain efficiencies become more critical.
- Office:** The office sector may continue to see a shift towards flexible workspaces, driven by hybrid working models. Businesses might prioritise spaces that promote collaboration and well-being, leading to a potential increase in the demand for modern, amenity-rich office environments.
- Retail:** The retail sector will probably face ongoing challenges from online shopping, but we envisage recent rental growth filtering through to lease events falling throughout 2025. Furthermore, rents that had been agreed following the COVID-19 pandemic in 2020 are likely to be due for review or renewal soon, and in certain locations we believe rental increases will be justifiable.

Our team of recognised lease advisory surveyors specialise in dealing with rent reviews and lease renewals. Our experienced team are able to provide impartial and tailored advice to occupiers to help fulfil occupational objectives and secure rental savings through offering the following expertise: Our intimate knowledge of the local and regional property market is invaluable and we can help to minimise your occupational costs through the provision of our lease advisory services.

Top 8 Deals



GBK, Gardner Street, Brighton
Restaurant
Lease Renewal on behalf of the Landlord



Cecil Pashley Way, Shoreham
Industrial
Rent Review on behalf of the tenant



Queens Road, Brighton
Office
Rent Review on behalf of the tenant



Longfield Road, Tunbridge Wells
Industrial
Rent Review on behalf of the tenant



Palmerston Road, Southsea, Portsmouth
Retail
Rent Review on behalf of the landlord



Hamilton Business Park, Hedge End
Industrial
Rent Review on behalf of the tenant



Chichester
Industrial
lease renewal on behalf of the landlord



East Street, Chichester
Retail
Lease Renewal on behalf of the landlord

Property Management

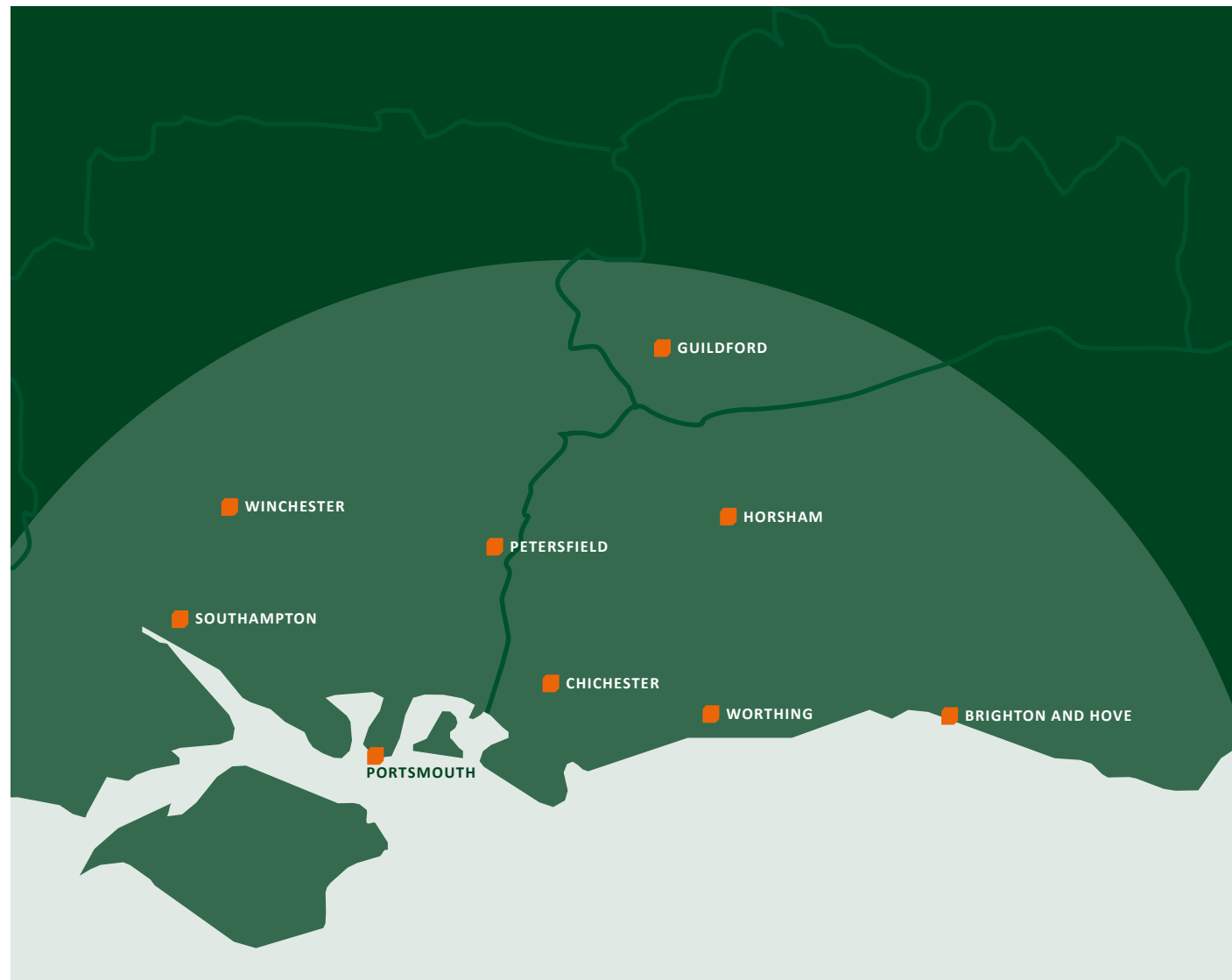
Overview of 2024

2024 has been challenging with reactive maintenance due to relentless wet and windy weather. Despite these challenges, we have taken on a number of new instructions this year, including Orion Parade in Hassocks – a large retail parade with residential upper parts and Sheencroft House in Haywards Heath – a detached 23,000 sq ft office building.

Looking ahead, we are optimistic that the implementation of new PM software in 2025 will allow us to shift focus to a more streamlined, proactive approach to property management and onboarding new instructions.

Our experienced property management team successfully manage properties all along the South Coast, and provide a personal and bespoke service to clients, whilst ensuring compliance at all times with the professional standards set out by the Royal Institute of Chartered Surveyors. Our clients including private individuals, pension funds, trusts, public bodies and institutions.

We adopt a pre-emptive approach and seek to anticipate tenant's requirements and respond to management matters quickly and efficiently. Our goal is to ensure that through proactive property management we create value and build towards the optimisation for the long-term growth for our client's investment portfolios.



Outlook for 2025

The UK commercial property management sector is poised for a rebound in 2025, following a period of market adjustment in 2024. Key insights into this anticipated recovery include:

- **Capital Value Rebound:** Analysts predict that UK real estate capital values will recover in 2025, with most commercial sectors having reached their value troughs during 2024.
- **Energy Efficiency Standards:** The push towards net-zero emissions is influencing property valuations, with older buildings at risk of becoming stranded assets if they fail to meet new energy efficiency standards. Property managers will need to prioritize sustainability to maintain asset value. There will be a particular focus on EPC's with legislation from April onwards, under which all commercial properties will require an EPC and landlords will not be permitted to collect rent on properties with an EPC rating below an 'E'.
- **Government Spending and Infrastructure Development:** Anticipated government spending reviews and infrastructure projects are expected to bolster the commercial property sector, alongside increased pension investment in urban areas.
- **Interest Rate Reductions:** Projected interest rate cuts by the Bank of England are likely to enhance economic growth, estimated at around 1.8% for 2025, further supporting the commercial property market.

In summary, the UK commercial property management sector is set for a positive trajectory in 2025, with anticipated capital value rebounds, increased investment activity, and sector-specific growth. Emphasizing sustainability and adapting to regulatory changes will be crucial for property managers to capitalise on these opportunities.

Updates within our Property Management team



In the Summer, we welcomed Angela Bickett into our Property Management team.

Angela's role at Flude is to manage a diverse commercial portfolio on behalf of a variety of valued clients, primarily within Brighton and Hove and nearby towns in Sussex.

Angela holds memberships with The Property Institute and is an Associate of the RICS. She has been based in Brighton for the last 13 years working with local property firms, starting initially in residential AST management, moving into long-leasehold block management, and finally settling on a career of managing commercial portfolios belonging to high-net-worth individuals, incorporating offices, retail, industrial, and shopping centres south of London and stretching along the coast.

Angela was promoted to Director in November.

Meet the Team



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Transactions
and Market Review
2024



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