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Retail Warehouse vacancy levels fall to the end of 2017 and then quickly rises

Trevor Wood Associates (TWA) launched their annual review in May 2018. The headline grabbing news showed that the vacancy rate for retail warehousing at 4.9% at the end of 2017 was lower than at any time since records were first compiled by them in 2001. But by the time of the launch the market had changed and their July 2018 update now shows a vacancy figure of 6.3%.

By the end of 2017 some storm clouds were gathering, but the changes in 2018 have hit the market hard and fast. Administrations and CVAs are almost a monthly event, and Landlords are keeping a careful eye on the future of Homebase under Hilco's ownership.

There has been a lot written about CVAs, but I am reminded that they cannot be promoted unless the alternative is administration, i.e. the company would fail without the CVA. What is worrying commentators is the perceived unfairness

of some of the CVA propositions when calculating the Landlords' percentage ranking in the decision making process, and often appears loaded against the Landlord. When the CVA is linked with another financing 'event' subject to that CVA, then the whole process should be re-assessed. The appeal against the House of Fraser CVA in the Scottish Courts may redefine what is acceptable or not.

In my experience Landlords are very aware of the marketplace and the effect on what would happen if a CVA fails, but understandably feel aggrieved when they feel that questions are not being answered. It was not long ago that a CVA process for PoundWorld was started, but was pulled when it became clear it would not work. Sadly they have fallen into administration with the attendant loss of jobs, vacancies etc.

TWA will be busy counting vacancies by the end of 2018.