

Workplace operators Qualitative Survey

Interviewee: Ryan Holmes

Workspace: Symonds & Sampson commercial

Location: Bridport and surrounding areas

Type of workspace: Commercial estate agent

How long have you been providing workspace: 14 years in Bridport

Key questions:

- 1. Do you think Bridport's workspace offer matches business needs now? And do you think it can respond to future trends (ie, Shifts to smaller or bigger workspaces, serviced workspace, or in and out of town spaces?)*

Workspace falls into different sectors within the commercial market – some are doing well, and some are struggling.

For leisure-types:

There's not a long queue of operators, as these businesses tend to be either staff hungry or energy hungry. Existing operators are making their businesses more efficient rather than expanding. The commodities that they need to run their businesses are getting more expensive. For example, there was a massive impact on this sector with the war in Ukraine and the energy cost spikes we saw.

Leisure businesses have responded by cutting hours, trimming staff costs, and not having to run energy hungry businesses when it's quiet. Even for some businesses that aren't considered to be seasonal, many now only do some trade on some days of the week.

For existing operators, many are considering their options: Can we sell? Can we find tenants? Enquiries haven't slowed down, but people are taking a more realistic view of what they can and can't do.

For the retail-types:

Things are still OK, particularly in more secondary locations (outside of town centres). In primary locations – the most expensive rent is in town, where there's a high volume of traffic – rents are staying static and not reducing. In secondary locations, landlords are more willing to do deals – they're often not exposed to business rates – and they can always find tenants. Those rents are relatively static, too.

For the industrial-types:

This sector is strong but demand is for the smaller side of units – those under 2000 sq ft like depots, workshops, etc. These are doing well and have done for last few years.

For the office market:

It's stone dead. There is very little demand. The churn in the office market used to drive the occupier market. But there's been a huge change in the psychology of office workers now. The way of working in the office has changed quite dramatically. Businesses are now growing into additional spaces – like homes – with the hybrid model of working. Every 12-18 months we'll be lucky to get one enquiry, and we need to find ways to make it more attractive.

Town centre offices above retail need to be converted to residential accommodation where there is demand, rather than left on the commercial market. The rateable threshold to have all the floors only leave fine margins. Due to the economics of it, the extra space is not conducive to taking risks.

Landlords are struggling more than most other business operators – they now have a lot of property with no occupiers, and they get a lot of bad press.

In Bridport, a good example of a difficult building to operate in a commercially viable way is the LSI. As the costs of running it go up because of the nature of an ageing, listed heritage building, the value of the asset starts coming down. And when you have a community angle that has to be considered, this puts even more financial strain on the leaseholder.

In my opinion, in any other market – in a town bigger than Bridport – the LSI would be an absolute goer. But here because the offering is that much more limited, it's a real issue that needs some careful thought. Pineapple Estate has been responsive to what the market needs and wants, and is agile in terms of the market. So they have made a huge success of their workspace as a result.

2. How have occupancy rates/level of vacancy changed ~~at your workspace~~ over the last few years? (ie are they stable, or significantly up or down)

Bridport is not a hugely active market anyway, and (apart from offices) availability almost matches demand. Potentially demand outstrips availability for the light industrial workspaces – those versatile, smaller spaces that can be used for many different businesses. This has been the case for a number of years.

In fact, we advise our rural client base – those who may have a farm and are considering diversification – that if they are unsure of what to do with their buildings, our advice is for them to chop them up into smaller units and keep the use as wide as possible for a versatile mix. This is a method of spreading risk. Landlords can better invest in property when there is a healthy mix of tenants.

3. ~~What types of businesses exist in your workspace (i.e. parks, estates, high streets)?~~

4. *What changes have there been in the type of businesses operating in these trading spaces? (ie, more food, less manufacturing, more storage, etc)*

In the last 10 years – in the occupier market – more than most are workshop and warehouse users. The old laundry estate is a good example, where it is filled with trade counter type businesses which are complimentary to one another. When they are all grouped in one place, they are more likely to hold on to existing clients and feed work into each other.

Dreadnought is similar with a healthy mix of tenants.

There has also been a small increase in studio occupiers (artists) but they tend to stick to more established locations for artists, like at Symonds bury. And with these, churn has declined as costs have increased.

5. *Do you see a trend of businesses starting small and scaling up? For example, have your tenants moved in because of a change in their business needs? Or is trading on the market a pipeline to other trading spaces? (i.e. retail/industrial)*

Within the food and retail sectors, not so much because they'll sooner open other locations rather than expand. Some occupiers do outgrow their units, such as natural skin care which is now at North Mills, but we see a lot less of that now.

There are three main events that really impacted retail businesses.

1. The 2008 financial crash really killed the retail market. Bigger shops started leaving town centres and towns were left struggling. Landlords and property owners need to move with the market. Service operators need to move into the high street. They need to look at different types of businesses to fill the empty shops. People complain that there are a lot of charity shops, but these are exempt from business rates so they can afford to occupy high street space.
2. With Brexit, the supply of labour changed. For industries that are staff hungry, they're experiencing staff shortages as it becomes more expensive to pay for labour. This has impacted the manufacturing sector too. And also there are not big export levies that weren't in place before. And no one has a good sense of where we're headed with Brexit. There's a lot of 'wait and see'.
3. During Covid, retail and business owners in general did ok *because* of the subsidies available during that time. But we're all paying for that now.
- ~~6. Do you have an overall 'identity' or priorities for your workspace tenants, or are you agnostic on what types of businesses can operate from your workspace?~~

~~7. Do you have a marketing strategy to find new tenants? Do you find it costly to invest in marketing to attract new tenants?~~

8. *Do you have any information/understanding on why businesses don't follow through with tenancy after their initial enquiries?*

Deals usually fall through with sales of development land because of complications – there are more unknowns with planning, due diligence, and so on, which only comes out through the process. The sales and purchase market is still dominated by investment rather than business occupiers. It's much easier to sell occupied properties than empty shops.

In terms of the rental market, 9 out of 10 people are 75% of the way [to deciding the property is right for them] before they view. If they don't follow through it comes down to whether the space works for them – is there enough passing trade? Is there parking? What signage options are there? It comes down to the more practical reasons.

In the Bridport area, there is more choice available to occupiers.

~~9. Do you work in partnership with a local estate agent? How do you set your lease terms or rents?~~

10. *Have you your clients made any changes to your lease terms based on business demand (ie, shorter lease terms, adjustments to rent, etc)*

Yes, this has been a generational change. In the early 00s it was very common to see lease term lengths 10-15-20yrs+. Legislation changed out of tenure lease, and landlords could contract out of those conditions, which also led to softer lease terms negotiated by tenants.

Now we're seeing even shorter lease terms – 3-5 years is more common than 10-15 years.

This is for two reasons. First, landlords want to protect flexibility from their perspective: If a property has other potential uses that may be more valuable – for example, getting planning permission for residential – they want to have the ability to make this change.

And second, tenants need flexibility. Their businesses need to be more agile to respond to the needs of their market. Long leases are far more risky than softer/shorter lease terms. We see a lot more licenses to occupy than leases – especially for new businesses. There is a lot more give and take on both sides now.

Loss of office space isn't always a problem. There is less requirement for that employment space now, with the rise of flexible working and working from home.

Again, this change is on the basis of flexibility.

~~11. Have your clients you adapted your units/made any renovations to accommodate incoming tenants or respond to perceived business demands?~~

12. *Bridport Town Council wants to know about the needs of young people. How many of your tenants are under the age of 30? Do you have much demand for your workspace from the younger demographic? And what kind of space are they looking for/renting?*

In terms of enquiries, less than 5% are from young people (25 and under), and probably less than 10% are from under 30s.

Why is this? One reason is that for many younger people, their workspace is majority online. In terms of actual workspace needed, of the very few enquiries they are often looking for warehouse space or workshop space.

~~13. As a workspace operator, do you feel your business is affected by any government policies (ie rates system)?~~

~~14. Bridport Town Council supports the Bridport economy and is keen to see businesses thrive and make steps toward more sustainable practices. As a workspace operator, how do you see your role and responsibilities within local economic development?~~

15. *Have you taken any measures to decarbonise your workspaces and/or make them more sustainable? Examples; energy saving, energy generation, electric vehicle charging etc*

9/10 newer properties have some sort of EV charging point. But this is not a top priority for most occupiers. They're interested in more practical / economic factors that would sway the business. Finding a suitable property is a priority. The sustainability and energy efficiencies come later.

16. *From your perspective, who should foot the bill/take responsibility for making energy efficiency upgrades to units in your workspace?*

With shorter lease terms, businesses are less likely to invest in these things.

~~17. Any other information you'd like to share about workspace availability and provision in the area?~~