AVISON YOUNG

Firepool, Taunton

Retail and Office Market Update

September 2022

Location

Taunton is the County Town of Somerset and is located 49 miles southwest of Bristol, 36 miles northeast of Exeter and 153 miles west of London. The town has good road communications with direct access to J.25 of the M5 motorway approximately 4 miles to the east of the city centre and is connected via the A38 and A358. The town is served by its own railway station which provides a regular service to London Paddington with a fastest journey time of approximately 1 hour 39 minutes. Bristol International Airport is located approximately 42 miles north of Taunton and Exeter International Airport is approximately 32 miles to the south. Both of these airports provide flights to numerous destinations throughout the UK, Europe and the rest of the world.

The Firepool site is situated in Taunton Town Centre and comprises two parcels of land either side of the river Tone. The site covers approximately 7.2 hectares of which 6.2 hectares includes the town's former Cattlemarket situated on the northern side of the River Tone. The remaining 1.02 hectares of land lies to the south of the river, on the former Priory Bridge car park. The site is bound by Canal Road to the north, Priory Bridge Road to the west, residential development to the south/southeast and the river Tone to the east. This site is shown highlighted on the attached aerial photograph as appendix 1.

Recycling and Waste Company Viridor established it's 27,000 sq ft headquarters at Firepool alongside Pip's Park and the new public realm south of the river Tone. To the west of the site across Priory Bridge Road is located a Morrisons Supermarket and service station. The whole site is approximately 5 minutes' walk from the town centre.

Town Centre – Area Action Plan (AAP)

The site lies within the northern part of the Firepool site which is allocated in the AAP (Policies FP1 & FP2) of mixed-use development. The Policy FP1 states that the development will provide: -

A. At least 47,000 sq m (net) of office space.

B. Approximately 8,000 sq m gross of additional retail, leisure clause space, of which up to 4,000 sq m gross should be convenience retailing.

C. Approximately 400 dwellings, 25% of which should be affordable housing.

D. A 500-space multistorey car park.

E. A 3- or 4-star hotel with at least 100 bedrooms.

F. Primary healthcare facilities

G. The relocation of a produce market within the town centre.

H. A boulevard linking the railway centre with the River Tone and Priory bridge Road.

I. Public conveniences

J. Active street level uses.

K. High quality riverside promenades.

L. Contribution towards public art.

The previously approved St Modwen scheme was a predominantly retail led development to provide on the former Cattlemarket part of the site, approx. 3,500 sqm of convenience retail (A1) and 6,000 sqm of non-food retail (A1) together with 4,000 sqm of offices (B1) or hotel (C1), up to 3,900 sqm of assembly/leisure (D2) and non-residential institutions (D1), up to 2,600 sqm of food and drink (A3, A4 & A5) and up to 200 residential units

(C3). In addition, on the former Priory Bridge Road car park site, the scheme proposed up to 2,964 sqm of offices (B1) and 5,525 sqm of offices (B1) or hotel (C1) and a further 1,300 sqm of A3, A4, B1 (office) and D2 uses with car parking.

Retail

The challenges facing the retail market have been well documented over the last few years with the gradual decline in popularity of High Streets and Shopping Centres as retail internet sales have increased. This has been exacerbated further by the Covid-19 Pandemic and whilst footfall is returning to the High Street, it is still approximately 15% lower than in 2019, with Shopping Centre footfall down approximately 20%. On-line retail sales are currently at approximately 26% of all sales compared to 22% pre-pandemic and a peak of 38% in November 2020 and January 2021.

The current cost of living crisis and decline in disposable income, particularly in lower income households, is starting to have an effect on the retail sector and the increasing cost of capital is also affecting retailers store investment on refits and new acquisitions. The Big-ticket retailers that benefitted from an increase in sales during the Pandemic, such as furniture and electrical sectors, are likely to see sales decline as consumers reign in discretionary spend. The grocery section is likely to remain resilient but with margins squeezed with an increase in polarisation expected at each end of the market with customers looking for value and cost saving or quality. The luxury sector is also expected to remain resilient as their customers are less likely to be impacted by the cost-of-living challenges. The Food and Beverage market continues to prove challenging driven by labour shortages, uncertainty around return to office for workers, reduced overseas visitors and current transport challenges. However, F&B operators are seeing a significant upside in suburban centres, market towns and more rural tourist locations. Investment in technology and innovation will remain key for retailers. Online retailers may be impacted more significantly by increasing transport, fuel and delivery costs which could be to the advantage of the High Street and particularly retailers with a good balance between online and physical store portfolios.

Vacancy rates on a national basis are currently approximately 19% for Shopping Centres, 14% for High Streets and 5% for Retail Parks.

Retailing in Taunton

Taunton central shopping area comprises an estimated 1.14M sq ft of retail floor space ranking the town 77th in the UK on this measure. On the PMA Retail Score, Taunton ranks 65th in the UK. The town has a restricted out of town retail offer with the total retail warehouse floorspace estimate at approximately 693,000 sq ft which ranks the town 96th in the UK on this measure. There are no open A1 retail warehouse parks.

Fore Street is the town's prime retail pitch with further prime/good secondary shopping provided on North Street, East Street and High Street. The town has two principal enclosed shopping centres being the Orchard Centre, which was built in 1982, refurbished in 2009 and provides approximately 130,000 sq ft on retail in the town centre together with towns largest shopper car park providing approximately 600 car spaces. In addition, County Walk, located off East Street provides approximately 105,000 sq ft of convenience retailing including a 50,000 sq ft Sainsburys Store.

The Town has the usual compliment of multiple retailers including Marks & Spencer, TK Maxx, WH Smith, Primark, Boots the Chemist, Wilko, River Island and Argos.

Current Town Centre Availability

There are approximately 54 Retail properties currently vacant in the town centre and these are shown highlighted in red on the attached Street Traders Plan Extract at Appendix II. Of particular note is the former Debenhams Department Store at the top of North Street which remains vacant and extends to approximately 80,000 sq ft. There are a number of other prominent retail units in the Town Centre that have been vacant for some time including the former Monsoon/Accessorise at 28-29 Fore Street, Carphone Warehouse at 34 Fore Street, RBS at 7 Fore Street and Bills Restaurant at 3 – 6 Cheapside.

In addition, the Riverside mixed-use development at Coal Orchard, currently under construction will provide approximately 14,000 sq ft of predominantly F&B opportunities. We are not aware of any lettings secured at present.

Current Retail Requirements for Taunton

Attached at Appendix III are a list of published retail/leisure requirement for Taunton for 2021 and 2022. As is evident, there are very few genuine retail requirements for the town and those published include a number of non-retail use including Safe Store, Machine Mart and Busy Bees Day Nursery. In addition, Aldi have satisfied their requirement for this part of Taunton with their proposed store at Chip Lane. Whilst Lidl have opened fairly recently on Roman Road, they do have another requirement for Taunton but do not believe that Firepool would be suitable.

This list of requirements is not untypical of many towns of the size of Taunton and the lack of genuine retail requirements is a consequence of both regional and the national factors as stated above.

Food Store Demand

As mentioned above, both Lidl and Aldi do still have requirements for Taunton but Aldi's requirement is for the area around Wellington Road for a site of approx. 1.7 to 2 acres to accommodate a store of 19,200 sq ft with a minimum of 100 car spaces. In addition, Lidl may still be looking for another store but not around the Firepool site. Their requirement is for no less than 1.5 acres for a standalone store to accommodate a store of 18,000 sq ft to 26,500 sq ft with a minimum of 100 car spaces. The other principal food stores are already represented in Taunton including Sainsburys, Asda, Morrisons and Tesco and we understand they have no other requirements for an additional town centre presence. Further, Waitrose no longer have a requirement for the town centre. M&S Simply Food do have a requirement for Taunton for a store of between 12,500 – 25,000 sq ft but we understand this is for an out-of-town location with suitable customer parking and complimentary retail uses.

Retailing at Firepool

St Modwen's plans for a substantially "Retail led" scheme on Firepool in a stronger retail market than at present ultimately proved unviable and undeliverable. It was clear at that time there was insufficient demand for large retail space in this location in Taunton. Whilst there would be some retail requirements for edge/out of town, this is primarily for roadside and retail park locations and would not be suitable for Firepool. Further with the proximity of Firepool to the town centre, being only 5 minutes' walk, any significant provision of retail on this site will impact negatively on the current town centre retail at a time when it is already under threat from competing locations, out of town retail, internet sales etc.

With the current proposals of Firepool being predominantly residential led, there would be some "local" demand for convenience style retailing/F&B to support the immediate catchment. This would be primarily local covenants and include uses such as Coffee Shop, Fast Food, Hairdressers etc. and the small amount of F&B. We believe it is unlikely there would be demand for in excess of approximately 500 sq m of these uses in Firepool.

Taunton Office Market

The Taunton office market extends to approximately 1.7M square feet in total and the majority of demand and highest rents are achieved on the out of town business parks such as Blackbrook Business Park, adjacent to J.25 of the M5. Average annual take up stands at circa 90,000 sq ft, and reached 84,000 sq ft in 2021, boosted by the letting of the 31,000 sq ft former Fire Control Centre to Rutherford Diagnostics for conversion to a new state of the art cancer diagnostic centre. By contrast total take up for the first half of 2022 reached 25,000 sq ft. Vacancy rates have risen over the past couple of years and currently stand at 150,000 sq ft / 7%, marginally above the long term average.

Headline office rents have been largely static for a number of years and stand at £16.50 per sq ft out of town, and £12.50 per sq ft in the town centre. Attached at Appendix IV is a list of available office space in Taunton, this includes 2 Tangier Central where the current owners are proposing a residential conversion due to lack of demand from office occupiers.

A combination of low levels of occupier demand, current high build costs, and low achievable rental levels have meant that speculative office development is viewed as unviable, as evidenced by the continuing availability of 1.7acres of land at Blackbrook Park, able to accommodate up to 35,000 sq ft of office or other commercial uses.

Office Market Overview

The office market was significantly impacted by the covid 19 pandemic and associated national lockdowns and shift to homeworking for a majority of office occupiers. In common with the retail market, the pandemic accelerated changes which were already happening, in particular the growth of hybrid working arrangements, so called ‘new ways of working’, and increased demand for flexible leases and serviced or managed office space. As a result of these factors and what is now assumed to be a long term shift in working practices many occupiers are seeking to downsize the amount of accommodation they occupy, typically by around 25-30% but in some sectors such as banking, financial services, and the legal sector much greater reductions ae being seen.

In larger commercial centres such as Bristol the reduction in occupation has been accompanied by a ‘flight to quality’, as businesses seek to improve the quality of their office space in order to help encourage staff back to the office, and also be able to attract and retain the best staff. This has helped to fuel a rise in speculative development and increases in headline rents for new Grade A office space, together with comprehensive refurbishment of older buildings in many cases taking them back to the frame and increasing the net lettable floor area by for example adding a floor or floors to the building where feasible. The increased focus on sustainability driven in part by forthcoming changes to EPC and Minimum Energy Efficiency (MEES) standards, and also by occupier demands for a healthier working environment and focus on wellness have also helped to encourage new development.

Unfortunately the above effects remain focussed on larger cities and have yet to be seen in smaller regional centres such as Taunton where the economics of supply and demand still mitigate against new office development projects.

Offices at Firepool

The current masterplan for Firepool provides for at least 47,000 sq m/506,000 sq ft (net) of office space, equivalent to an almost 30% increase in the total office stock in a market where total annual take up amounts to less than 100,000 sq ft pa, and with no current significant requirements in the market to underpin such a scale of development. For the reasons outlined above it is highly unlikely that any developer would embark on speculative development on this scale, and in order to be financially viable would have to be targeting headline rents in excess of £25.00 per sq ft, roughly twice the level currently being paid in the town centre. With no evidence that demand exists from occupiers willing to pay this level of rent in the town, any such buildings which were developed would potentially take many years to become fully occupied.

As mentioned, since the pandemic there has been a growth in demand for serviced offices and a number of operators are seeking additional centres in a range of locations including Taunton. We are aware of a building currently under offer at Blackbrook Business Park to a national operator, and the existing business centre at Creech Castle has recently been expanded to accommodate demand. The majority of these operators work exclusively on the basis of management agreements rather than taking FRI leases, meaning the developer/landlord is required to incur the capital expenditure to supply and fit out the building for the operator, who will then take on the management and running of the centre.

In terms of Firepool there is no direct evidence of demand for serviced offices in this location, and any such demand which does exist will be satisfied by the forthcoming Somerset County Council funded 2,600 sq m Innovation Centre at Firepool, together with The Collar Factory serviced office centre located close by.

Appendix I

Fire Pool Aerial View

Appendix II

Taunton Current Retail Availability – September 2022

50 metres

Map data

Experian Goad Plan Created: 21/09/2022
Created By: Avison Young

Appendix III

Taunton Retail Requirements – 2021/2022

Date	Logo	Occupier	Description	Size (Min)	Size (Max)	Contact(s)
2022-08-15		Aldi (South Wales & South West)	Supermarket	18000	22000	Elliott Saunders (Aldi), Rob Jones (Aldi)
2022-07-11		Everyman Cinema	Cinema company	8000	15000	Martin Bloom (CURACE Consulting), Sammy Jones
2022-06-28		Safestore	Self Storage	20000	100000	Andrew Veitch (Montagu Evans), Henry Elwess (Mo Real Estate), Will Fennell (Montagu Evans), Matt Gu
2022-06-19		Amber Taverns	Independent Pub Company	2000		Sam Frankland (Amber Taverns), Carla Roach (Am
2022-05-30		Evapo	Vape shop	250	1000	Chris Hovington (AGL), Mark Talbot (AGL)
2022-05-16		Taco Bell (S.West & S.Wales)	Fast-food restaurants	1850	2500	Jonny Goldstone (Omni Retail)

2022-04-13	Pavers	Shoe retailer	1700	2000	Llyr Emanuel (Emanuel Oliver)
2022-04-10	M&S Food	British multinational retailer	12500	25000	Stuart AJ Moncur (Savills), Lawrence Earnshaw (Mc Nick Green (McMullen), Stephen Proudly (LSH) Ian Hare (Savills), Jonathan Netley (LSH) Rhys Williams (McMullen)
2022-03-15	Whistles	Womens fashion retailer	1500	2000	Russell Jerrard (Brasier Freeth)
2022-03-14	Crispys	Burger and dessert restaurant	1600	2500	William Nelson (Mckinnon Nelson)
2022-03-07	Shoezone	Shoe retailer	2000	4000	John Beach (Ramsdens)
2022-03-07	Lidl (Somerset/Devon/Cornwall)	Supermarket	18000	26000	Carl Williams (Lidl)

2022-03-01		Machine Mart	Tools & Machinery Equipment	1500	8000	Scott Osborne (Innes England), Matthew Hannah
2022-01-11		Bannatyne	Health Clubs, Spas and Hotels	15000		Ross Kirton (Colliers International), Jon Patrick (Ch
2021-12-07		Cornish Bakery	Cornish Pasties	500	3000	Gareth Storer (GCW)
2021-10-20		KFC	Fast food restaurant	1800	3500	Dan Gardner (KFC), Alice Hut eld (KFC), William Ba
2021-05-14		Earthfare	Health foods	1000	3000	Andy Smallman (ARC Retail)
2021-02-01		Busy Bees	Day nursery	4000	7000	Nick Johnston (Busy Bees)

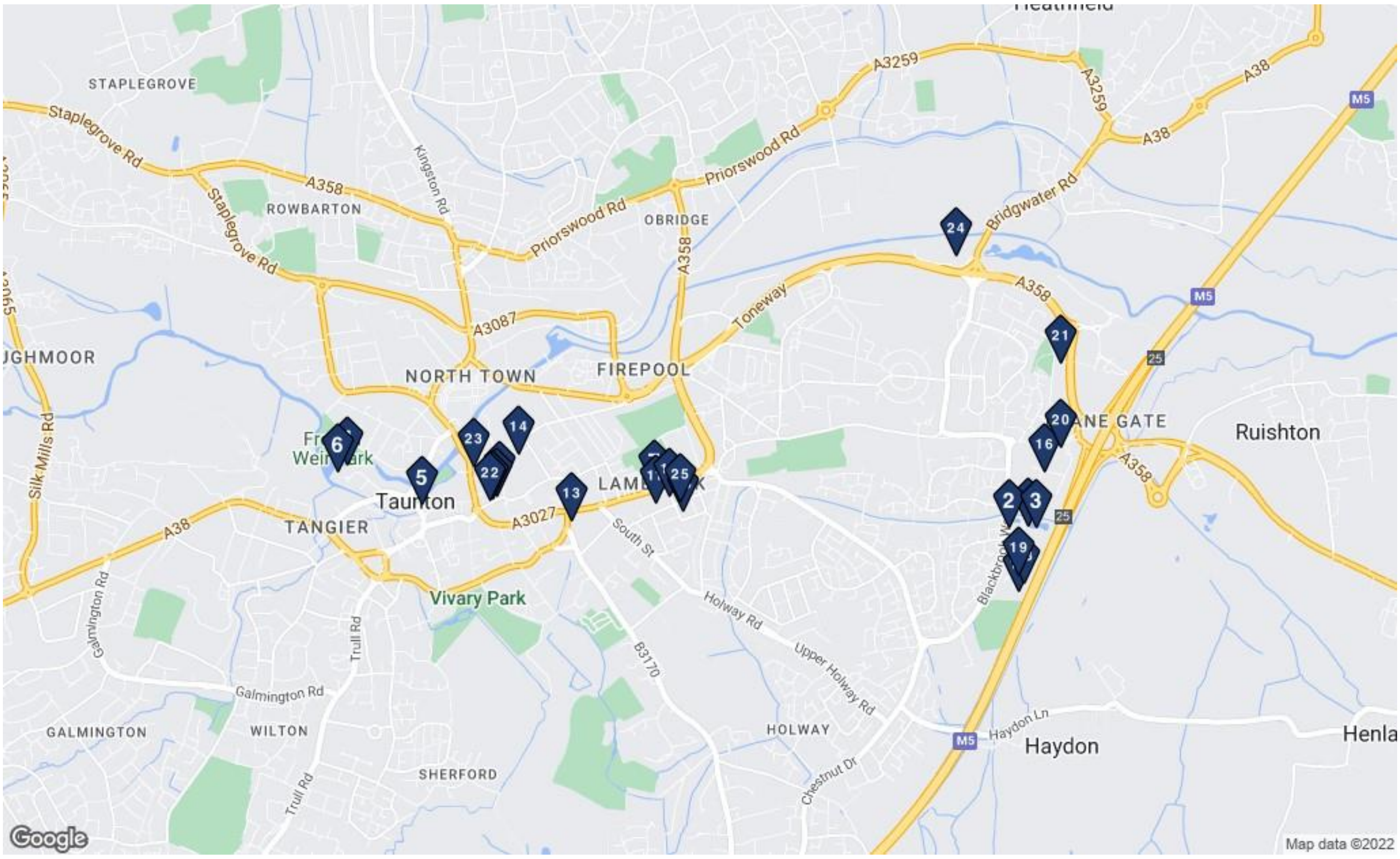
2021-01-19		Salvation Army (South West & Wales)	Charitable organisation	3000	6000	Philip Wragg (Philip Wragg & Co)
2021-01-01		VPZ	Electronic cigarettes	500	1500	Thomas Nulty (Nulty Cader)
2021-01-01		Simply Gym	Leisure operator.	6000	20000	Phil Morris (EJ Hales)

Appendix IV

Office Availability Listing

Properties	Avg. SF	Avg. Vacancy	Avg. Asking Rent/SF
25	12,932	13.9%	£11.24

PROPERTY LOCATIONS



PROPERTY SUMMARY STATISTICS

Property Attributes	Low	Average	Median	High
Building SF	902	12,932	8,537	67,302
Floors	2	3	3	4
Typical Floor	451	5,059	3,000	25,480
Vacancy	0%	13.9%	0%	50.1%
SF Available	380	7,161	4,561	30,450
Avg. Asking Rent/SF	£4.10	£11.24	£12.00	£16.52
Sale Price	£187,500	£729,167	£400,000	£1,600,000
NI Yield	-	-	-	-
Year Built	1776	1944	1989	2003
Star Rating	★★☆☆☆	★★★☆☆ 2.9	★★★☆☆ 3.0	★★★☆☆

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St Catherine's Court, Berkeley Place, Bristol BS8 1BQ

	Property Name - Address	Type	Yr Built	Size	Vacancy	SF Available	Avg. Asking Rent/SF	Sale Price	NI Yield
1	Lakeside House Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	2002	9,200 SF	49.6%	733 - 4,561	£16.50/FRI	-	-
2	Broughton House Blackbrook Park Ave Taunton, TA1 2PP	Office ★★★☆☆	2003	6,080 SF	50.1%	3,045	£15.51/FRI	-	-
3	Courtenay House Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	2000	5,976 SF	31.1%	1,859	£16.00/FRI	-	-
4	2 Tangier Central Castle St Taunton, TA1 4AS	Office ★★★☆☆	1991	23,320 SF	26.7%	1,400 - 18,985	£12.00/FRI	-	-
5	Chartfield House Castle St Taunton, TA1 4AS	Office ★★★☆☆	1989	8,047 SF	11.4%	918	£9.26/TBD	-	-
6	1 Tangier Central Castle St Taunton, TA1 4AS	Office ★★★☆☆	1991	30,450 SF	0%	2,355 - 30,450	£12.00/FRI	-	-
7	East Reach House East Reach Taunton, TA1 3EN	Office ★★★☆☆	1882	27,019 SF	0%	2,409 - 5,046	£13.00/IRI	-	-
8	8 Hammet St Taunton, TA1 1RZ	Office ★★☆☆☆	1860	2,500 SF	0%	122 - 886	£9.03/FRI	-	-
9	11 Hammet St Taunton, TA1 1RZ	Office ★★★☆☆	1900	4,675 SF	-	665 - 3,777	£7.81/FRI	£400,000	-
10	13 Hammet St Taunton, TA1 1RZ	Office ★★★☆☆	1884	2,340 SF	0%	141 - 380	£16.31 - 16.52/IRI	-	-
11	Fitzwarren House Queen St Taunton, TA1 3UG	Office ★★☆☆☆	1991	3,535 SF	48.2%	1,705	£8.50/FRI	-	-
12	Wellington House Queen St Taunton, TA1 3UF	Office ★★★☆☆	1990	14,364 SF	0%	845 - 7,985	£8.50/FRI	-	-

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St Catherine's Court, Berkeley Place, Bristol BS8 1BQ

	Property Name - Address	Type	Yr Built	Size	Vacancy	SF Available	Avg. Asking Rent/SF	Sale Price	NI Yield
13	Chiltern House 15-17 Silver St Taunton, TA1 3DH	Office ★★★☆☆	1900	8,537 SF	-	2,670 - 8,537	£4.10/FRI	-	-
14	The Octagon Taunton, TA1 1RT	Office ★★★☆☆	1776	2,272 SF	0%	780 - 2,272	£7.59/FRI	£187,500	-
15	Viney Court Viney St Taunton, TA1 3FB	Office ★★★☆☆	1990	12,500 SF	19.6%	100 - 14,946	£12.26/FRI	-	-
16	Monmouth House Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	2003	5,387 SF	0%	2,696	£9.78 - 11.95 Est.	-	-
17	Blackbrook Taunton Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	-	15,801 SF	-	5,267 - 15,801	-	Price Not Disclosed	-
18	Blackbrook Taunton Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	-	7,879 SF	-	3,939 - 7,879	-	Price Not Disclosed	-
19	Blackbrook Taunton Blackbrook Park Ave Taunton, TA1 2PX	Office ★★★☆☆	-	10,204 SF	-	5,102 - 10,204	-	Price Not Disclosed	-
20	Blackbrook Gate Blackbrook Park Ave Taunton, TA1 2PG	Office ★★★☆☆	1991	15,000 SF	0%	5,180	£12.54 - 15.32 Est.	-	-
21	Sedgemoor House Deane Gate Ave Taunton, TA1 2UF	Office ★★★☆☆	1989	18,243 SF	-	6,065 - 18,243	£9.56 - 11.68 Est.	£1,600,000	-
22	14 Hammet St Taunton, TA1 1RZ	Office ★★★☆☆	1900	902 SF	-	448 - 902	£9.57 - 11.69 Est.	-	-
23	34-35 North St Taunton, TA1 1LT	Office ★★☆☆☆	1910	3,955 SF	-	688 - 3,277	£9.61 - 11.75 Est.	-	-
24	Creech Castle Toneway Taunton, TA1 2DX	Office ★★★☆☆	1855	17,817 SF	0%	100 - 6,000	£10.99 - 13.43 Est.	-	-
25	Victoria House Victoria St Taunton, TA1 3FA	Office ★★★☆☆	1965	67,302 SF	0%	100 - 3,500	£8.41 - 10.28 Est.	-	-

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