

# SWINDON • Commercial Property Market

## 2007 - Review of the Year !



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We seem to have started 2008 with an air of gloom prevailing, thanks to January's inclement rain, gale force winds, the flu epidemic, talk of falling house prices, lower consumer confidence and lower high street spending in the face of rising petrol prices, energy and raw material costs and above inflation Council Tax increases. However, Swindon's property market had an excellent 2007, with almost all sectors of the commercial property market exceeding expectations.

### RETAIL

Whilst most of 2007's headlines centred around the proposed Modus redevelopment of the Granville Street car park, which achieved a resolution to grant planning permission for the £240m. mixed use development and where a pre-let was agreed with Debenhams for a 100,000 sq ft department store as anchor to the scheme, there was real action elsewhere in town. This includes the completion of Demac's redevelopment of 55/61 Regent Street, where New Look are now trading from 26,000 sq ft and have been joined by Adams (4,000 sq ft); 2 units remain available.



Cromwell Madhouse moved into New Look's former premises, next to Marks & Spencers at 79/80 Regent Street, whilst La Senza moved into 84 Regent Street (3,060 sq ft). In the Brunel Centre, newcomers included Hawkins Bazaar, Bags Etc, Lush and Cex Computer Games. Out of town, the new 110,000 sq ft B&Q superstore opened alongside Great Western Way, whilst B&Q's former 42,000 sq ft warehouse on Fleming Way has been taken by The Range and is due to open, early 2008. However, perhaps the biggest news in 2007 was Marks & Spencers' commitment to a 37,000 sq ft out of town store at Orbital Retail Park, due to open mid 2008. Also, at long last, John Lewis are coming to Swindon, but not to the town centre; instead they have taken 11,000 sq ft at Great Western Designer Outlet Village.

### OFFICES

Swindon's office market had a very successful 2007, with activity both in the town centre and in the out of town market. Take-up for the year touched 270,000 sq ft, well in excess of the 2006 total of circa 150,000 sq ft,

representing an increase of around 80%. The majority of the take-up was in the out of town sector, but even the town centre market achieved increased take-up, although without recording a major letting. Amongst 2007's notable lettings were Nationwide Building Society's lease of the 48,000 sq ft Pegasus Building at Windmill Hill, Royal Bank of Scotland's 6,000 sq ft at Stella, Windmill Hill, JP Morgan Chase Bank's, 27,000 sq ft at Lydiard Fields, Buildstore's, 5,751 sq ft in Kingston House, Lydiard Fields and RWE NPower's acquisition of 7,000 sq



ft at Westlea Campus. Around 32,000 sq ft changed hands at Kembrey Park in various lettings of buildings, including one to Honda Trading. In town, whilst no major letting took place, there was an increased volume of smaller lettings, the largest of which was The Outside Clinic's relocation and expansion to 6,895 sq ft in Old Town Court, High Street, leaving Thompsons to market their former offices in Wood Street.

### INDUSTRIALS/DISTRIBUTION

Like the office sector, Swindon's industrial/distribution sector performed well during 2007, with total take-up reaching around 1.4 million sq ft, over 40% up on 2006 levels. Significant deals during 2007 included the letting and subsequent investment sale of the 90,000 sq ft speculatively built Merlin Building on South Marston Park, now occupied by SMDC, a Honda supplier. Also at South Marston Park, Prologis let a new 300,000 sq ft distribution warehouse to Morrisons, whilst elsewhere take-up of secondhand buildings included the former 123,000 sq ft EMI building in Drakes Way, which got a new planning permission and was sold to The Car Shop. The former Farepak building (88,000 sq ft) was acquired from Receivers and the former 107,000 sq ft Cloverleaf Building at Groundwell was taken by JDS Shop Fitters.

Other deals included a 50,000 sq ft letting to Tetronics at Marston Gate, 25,000 sq ft at Western Gate to Quantum Straight Forward, 21,595 sq



ft at Dorcan by Thompsons to AML Manufacturing Ltd, 27,000 sq ft at South Marston to Parcelnet and 25,691 sq ft at South Marston to Acorn Industries. The small freehold sector, so active in 2006, saw slow progress on new schemes such as RO 24, South Marston, Kembrey Trade Park and Ergo, Greenbridge.

## INVESTMENT

Looking back, 2007 will undoubtedly be viewed as the year the investment market changed, with the “credit crunch” triggering a readjustment of property pricing and yields and having a profound effect on the market. The RICS’s Commercial Property Forecast was reporting investor returns halving to 8% in 2007 and forecasting a further drop to 5% in 2008. Whilst 2007 investment transaction numbers were down in Swindon, amongst the deals were sales of new developments following lettings at South Marston Park to SMDC (90,000 sq ft) for circa £7m. and Morrisons (300,000 sq ft) for £24 million, both at gross yields of around 7%. Copse Farm Office Park (31,914 sq ft) purchased in 2005, sold again in 2007 for £5.435 million to Brook Henderson Group, whilst 40,172 sq ft of offices at Pagoda Park changed hands for £6.47 million at a gross yield of 6.75%.



## LEISURE

Swindon’s leisure sector was also busy in 2007, when new arrivals included a conversion of a former office building, Windsor House in Princes Street to a Travelodge. Swindon’s dwindling number of nightclubs had another difficult year with one of the town’s last remaining and best known, The Brunel Rooms changing hands in 2007, marking the end of an era. The new operator, Lumina Leisure is refurbishing the club for re-opening in early 2008. In the restaurant sector, newcomers included The Cosmo, who opened up an Oriental/Thai restaurant in 7,600 sq ft at Linden Court, Le Rendezvous opened in newly converted premises in Haydon Street, the former Pattern Bar, Churchward was acquired by Bottelinos and converted to an Italian restaurant and delicatessen, the former nightclub at Shaw Ridge became @Fusion, a chinese restaurant and a former pub, The Wild Deer in Westcott Place was converted to an Italian restaurant, La Carbonara. Thompsons, as joint agents, let a 3,000 sq ft refurbished shop in Bridge Street to Café Nero. The David Lloyd Leisure outlet at the Turnpike Roundabout opened in 2007 and is to be joined by a new, 102 bedroom Days Inn hotel and a Harvester pub. Also open is the Next Generation Club at Kembrey Park, next to a Premier Inn. A new 100 seater McDonald’s restaurant is also due to be constructed near the Orbital Retail Park in 2008.



## DEVELOPMENT

Swindon is currently lucky enough to have a number of major development projects in the pipeline. In addition to the proposed town centre extension into Granville Street by Modus, there is the redevelopment of Swindon College in Regent Circus, where a planning permission was progressed by Ashfield Land/Parkridge Developments for a mixed use scheme to include a supermarket, new cinema and lots of flats. Elsewhere, the redevelopment of Wharf Green is underway, with a new Big Screen TV to open in April, which, if nothing else, will at least give the town’s waifs and strays some day time entertainment! The covered market was also closed controversially just before Christmas and a redevelopment of the site to create 5 new restaurants and café areas is proposed by Central Investment Properties. Meanwhile, the redevelopment of the 17.5 acre Exchange site, now known as Union Square, is progressing with developers, Muse, due to submit a planning application for a phase of office buildings early in 2008. Other development opportunities are being proposed by Swindon Borough Council at Thames Avenue and Sussex Square, Walcot and at Penhill, following the success of the Cavendish Square redevelopment, where construction will continue into 2008. A longer term development project, the 764 acre greenfield site adjoining the M4, known as Witchelstowe, is currently on the market, having outline planning consent for 3,300 dwellings, 73,650 sq ft of employment buildings, 3 schools, village centres, etc. There is even progress with a few old chestnuts, such as the Locarno building, where high quality residential conversions are proposed and rumours of something possibly happening at The Mechanics Institute, although you would be brave to bet on that one!

## 2008 – LOOKING AHEAD

Whilst general expectations are for a difficult 2008 in the face of a general economic slowdown, the number of long term investment projects lined up for Swindon shows confidence in the town’s long term future, although new investment will still need to be fought for. Hopefully, however, Swindon will be reasonably well placed to hold up against what we hope will be a relatively short term downturn in activity. That is not to say that 2008 will be painless. The expected reduction in activity forecast for 2008 is likely to see a downturn in transactions and take-up of commercial space across the country. Other dark clouds on the horizon include changes to empty property rates, to be introduced just at a time when the last thing an under pressure property industry needs is extra cost, capital gains tax changes and energy performance certificates.

Finally, may I take the opportunity to thank all of our clients and fellow professionals for their support during 2007 and may I wish you a healthy and prosperous 2008 from us all at Thompsons.



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