

Valuation Advisory

Client: Leeds City Council
Property: Leeds Kirkgate Markets
Executive Summary

January 2018



Leeds City Council
Land and Property
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18 January 2018

Dear Sirs

Re: Executive Summary - Rental Review of the Leeds Kirkgate Indoor Market Stalls

Scope

We are instructed to provide commercial rental advice relating to the current level of rents charged at the indoor Kirkgate Markets. We are to review the current levels of charges and determine whether these existing levels are considered to be reasonable when compared to comparable rental levels in the city and other regional markets to determine whether the rents charged should be increased or decreased to reflect market conditions.

We are also to provide advice on whether the current zonal charging system is a fair and equitable system and any alternatives which could be considered.

This Executive Summary is taken from a larger confidential report.

Current Position

Currently split into seven zones, each attracting a different rental charge based on the location within the market halls. The current charges range from £28.75 to £56.87 per sq ft. These charges are exclusive of service charge which we understand currently amounts to £12.50 per sq ft.

We note that there are also fixed adjustments to reflect the number of frontages and concessions to attract specific retailers which are viewed as being important to the success of the wider markets.

Market Commentary

There are a number of factors to consider in relation to the rental values in the markets. These are as follows:

- J Trends in Retail Rents - We have considered the general retail tone and trends throughout Leeds city centre's retailing areas and have identified specific pitches we consider as offering alternatives which could be suitable for some market type traders. These include the Westminster Buildings, The Corn Exchange, The Arcades, Duncan Street, Central Road, The Headrow, Vicar Lane, Kirkgate and Leeming House.
- J In Leeds City Centre as a whole, retail rents (and therefore occupational costs) have generally improved during the last five years partly as a result of wider investment in the retail provision.

- J Total Occupational Costs in Other Locations – The rental levels have been considered alongside service charges as we anticipate that traders will be more focussed on their total occupational costs rather than the constituent parts.
- J Other Regional Markets - Including Newcastle, Manchester and Sheffield. Our research has identified a lack of consistency in terms of leasing practice with some markets adopting an overall inclusive approach and others segregating costs between rent and service charge.

Conclusion

Based on our investigations, generally, the existing rents within the market appear to be within the expected ranges as summarised below.

Notwithstanding this, the new meat and fish area within the market has been improved and could therefore potentially carry a premium occupational cost. This must however be balanced with maintaining the occupancy levels in this very important part of the market.

We would also comment that the creating of the Covered Daily Markets has been successful and we understand that there is good demand for units. Therefore, increased costs could be justifiable in this area based on the high demand and restricted supply.

The Covered Daily Markets and the meat and fish area could include an element of a weighted service charge to account for the higher costs of extraction, cleaning, the provision of street furniture etc which these areas experience with a small stall area relative to total gross area.

The table below summarises our opinion of the range of values for the various zones in the Market.

Zone	Current Rent Charge per sq ft (exclusive of VAT)	Suggested Rent Charge per sq ft (exclusive of VAT)
Zone 1		
1904 Hall	£56.87	£55 to £62.50
Lettered Stalls	£51.45	£50 to £55
Zone 2		
Fish & Game	£47.00	£47.50 to £52.50
Remainder of Z2	£34.00	£32.50 to £37.50
Lettered Stalls	£47.50	£47.50 to £50
Zone 3		
Butchers Row	£34.00	£32.50 to £35
Row A	£34.00	£32.50 to £35
Row H	£35.00	£32.50 to £35
Cross Mall (En 4-10)	£35.00	£32.50 to £35
Zone 4		
Rows B,C,D,E,F,G	£33.00	£30 to £32.50
Zone 5		
CDM	£42.00	£47.50 to £52.50
Zone 6		
1981 Hall & George Street	£28.75	£25 to £30

If the key objective of the Council is to maximise occupancy levels whilst maintaining an attractive tenant mix, this can require a flexible approach which will evolve over time.

The current zoning methodology is an acceptable approach. The current bandings appear to be sensible but we would caution that this is unlikely to be a static situation. This should therefore be monitored carefully as an on-going concern.

The zoning system is also overlain with other specific adjustments. We believe this is a sensible approach to build upon the current mix of traders and to assist to increase footfalls. We would however comment that this should be linked to demand and supply and adjustments should be reviewed periodically.

With regards to the adjustment for each additional selling frontage, we are again of the opinion that this is a sensible approach. We would however comment that a simple 10 to 20% allowance may not apply on all units and it will depend on the precise position and the nature of the occupier.

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