

**London Borough of Merton**  
***Commercial Marketing Research Report***

**June 2013**

## **Introduction:**

The Strategic Policy and Research Team completed a number of public consultations on Merton Sites & Policies Plan and Policies Map. During these consultations, representations were received suggesting that Merton's proposed marketing period was too onerous; particularly as it requires properties to be vacated before marketing can take place and the marketing period of 2 1/2 years was considered to be too long.

The purpose of this paper is to provide evidence to support Merton's proposed marketing period before units/ land can change to alternative uses.

## **Policy Review:**

Policy E6: Loss of Employment Land outside the Designated of Merton's Unitary Development Plan (2003) [UDP] states that the change of use from employment land to residential use, in addition to other requirements, would require up to five years of full and proper marketing. Therefore, at the initial stages of developing Merton's forthcoming Sites & Policies Plan, it was decided to review the 'full and proper' marketing period set out in this policy.

Planning Officers are currently working on Merton's Sites & Policies Plan and Policies Map, which contains more detailed development control policies, site allocations and updates to the proposals map. This document is still in draft form and it is intended to be submitted to the Secretary of State for public examination this year (2013). Once adopted, the Sites & Policies Plan and Policies Map, in addition to Merton's Core Planning Strategy, South London Waste Plan and the Mayor's London Plan, will form the statutory local plan for Merton.

In Merton's Sites & Policies Plan, for some land uses to change to alternative uses (outside of those permitted under the policy), 'full and proper' marketing of the site for a period up to 2 ½ years is required. To demonstrate that full and proper marketing has been undertaken, as set out in the document, the applicant will be required to demonstrate that:

- "The site has been marketed for its appropriate use for the time period detailed in policy unless otherwise agreed with the council;
- All opportunities to re-let the site has been fully explored (including more flexible use of the space);
- The site has been marketed using new (on the internet) and traditional marketing tools available; and,
- The site has been marketed at a price which is considered reasonable for its appropriate use (based on recent and similar deals or transactions)".

Full and proper marketing is required for the following policies:

- DMR3: Protecting corner/ local shops
- DMR4: Protection of shopping facilities within designated frontages
- DMR5: Food and drink/ leisure and entertainment
- DMR6: Culture, Arts and Tourism Development
- DME2: Offices in town centres

- DME3: Protection of Scattered Employment Sites
- DMC1: Community Facilities

**Research:**

In 2011, at the early stages of preparing the Sites & Policies Plan, initial research was completed on the marketing period of different land uses before re-occupation.

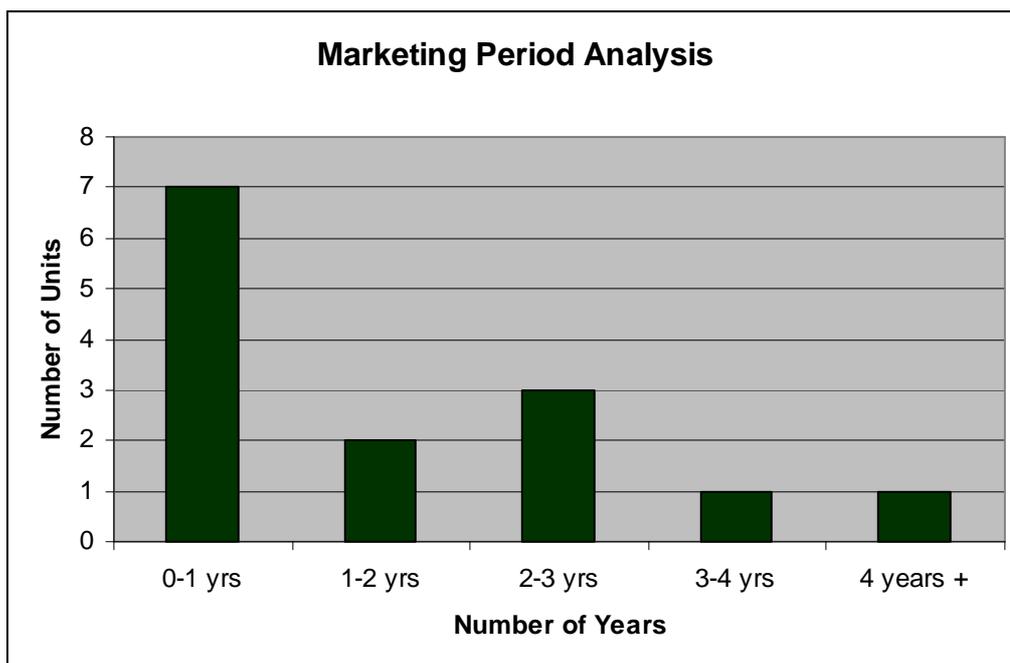
The research concluded that the marketing period should be for 2 ½ years; as it takes circa 6 months of marketing to attract potential occupiers, another circa 6 months of negotiations with occupiers and a further circa 6 months to sort out legal and administration duties before the property is let and occupied. Therefore to ensure that the site is no longer suitable for its permitted use, particularly in this uncertain economic market, an additional 12 months was added to the 1 ½ years on average it takes for a unit to be re-occupied in Merton.

To be consistent with the marketing period, for the Sites & Policies Stage 2 draft, it was decided to adopt for all land uses the marketing period of 2 1/2 years.

Due to comments received throughout the consultation period, it was decided to complete further research to ensure that the proposed marketing period is reasonable.

Merton council owns the freehold/ leasehold to a number of properties in Merton. In recent years a number of commercial properties such as retail, office and industrial units/ land needed to be re-let and this information was analysed to ensure that the marketing period is reasonable.

The results of this analysis are illustrated in Figure 1 below. To note, this analysis excludes three properties; two of which are currently available on the property market for let and another which does not have sufficient information for this analysis. Please view Appendix A for more detailed information on the properties included in this marketing analysis.



An analysis of this information does suggest that depending on the type and size of the unit as well as the future occupants' urgency to let the premises, the time from vacancy to re-occupation can take between 2 months to over 4 years.

Properties being re-occupied after a 4 year period could suggest for Merton to even propose a lengthier marketing time frame, more than that being proposed. However the majority of properties are re-occupied within the first three years of the property being vacant; thus setting the marketing period for a maximum of 2 ½ years is reasonable. This marketing period is further supported by the commercial agents and those who specialise in the economic and retail planning sector; who were contacted as to their views on the marketing period that the council is proposing in the emerging Sites & Policies Plan. A summary of these discussions are provided in Appendix B.

### **Conclusion:**

This research paper supports the proposed marketing period in Merton Sites & Policies Plan.

As detailed in the emerging policies, this proposed policy does not require a unit to be vacant before being marketed by the site owner. Therefore this policy is extremely flexible and is not pitched too onerously.

As it is difficult to find marketing evidence for all uses, for instance, community uses (as it really depends on tenants not renewing their leases), it is also fair and reasonable to apply this marketing period for all uses to provide constancy throughout the Sites & Policies Plan.

# Appendix

### Appendix A: Detailed Marketing Period Information

Ref:	Type	Size	Date Vacant	Legal Instruction	Completed	Duration
Site 1	Retail	100 sqm		July 2012	Not completed	n/a
Site 2	Industrial unit	385 sqm	July 2009	February 2013	Not completed	4 years +
Site 3	Retail	100 sqm	June 2011	May 2012	Not completed	2 years +
Site 4	Industrial land	3,000 sqm	November 2011	July 2012	February 2013	1 yr 3 months
Site 5	Industrial unit	190 sqm	July 2012	Available		n/a
Site 6	Industrial unit	185 sqm	February 2013	Available		n/a
Site 7	Industrial unit	550 sqm	December 2011	January 2013	April 2013	1 yr 4 mths
Site 8	Industrial unit	565 sqm	December 2011	March 2012	October 2012	9 mths
Site 9	Industrial unit	5,773 sqm	April 2012	October 2012	November 2012	6 mths
Site 10	Industrial unit	3,852 sqm	July 2012	September 2012	October 2012	3 mths
Site 11	Retail/ office unit	1,432 sqm	August 2010	August 2011	October 2012	3 yrs and 2 mths
Site 12	Retail unit	1,340 sqm	July 2010	September 2012	October 2012	2 yrs and 3 mths
Site 13	Industrial unit	825 sqm	June 2012	September 2012	October 2012	4 mths
Site 14	Industrial unit	590 sqm	June 2012	August 2012	October 2012	4 mths
Site 15	Industrial unit	906 sqm	April 2012	July 2012	September 2012	5 mths
Site 16	Industrial unit	910 sqm	July 2012	July 2012	September 2012	2 mths
Site 17	Industrial unit	1,850 sqm	October 2010	January 2012	February 2012	1 yrs and 4 mths

## **Appendix B: Qualitative Research**

In addition to marketing information provided in Appendix A, estate agents and consultants who work in the employment and retail sector (only those who operate in Merton and know the commercial market) were contacted as to their views on the marketing period that the council were proposing in the emerging Sites & Policies Plan.

### **Interview 1:**

The marketing period really depends on the commercial unit that is being let for sale, the type of unit, size, quality and location. Ordinarily they would expect for a commercial property to be let or sold after a year of marketing most definitely within 18 months. Usually after this date if properties have failed to sell or to be let, some estate agents remove the properties from their books. However, again, this really depends on whether a property is for retail or employment and the level of interest that has been shown in the property. Properties on employment sites tend to be let quicker than commercial units located outside of these areas. They think that a marketing period of five years is definitely too high and that this should be reduced to a period that is more realistic.

### **Interview 2:**

For employment vacancy periods, it is very hard to give a general vacancy time period figure because it will depend on the economic market conditions at the time – obviously the worse conditions are, for instance 'low demand', the longer the vacancy period. For example, in the South East, office buildings have been vacant for at least 5 years or more.

To note, business rates apply on vacant premises after 6 months, so one could presume that in a reasonably buoyant economic market that this would seem to be a typical average period of vacancy between occupiers. However, in more average economic market conditions 6-12 months may be more realistic and perhaps likely 12-24 months in a poor economic market.

This information is based on experience and talking to estate agents.

### **Interview 3:**

For retail uses, would consider that a landowner would need to actively market a vacant shop unit for at least 12 months, before one could begin to conclude that it was unviable. Evidence of active marketing, surrounding uses and the physical condition of the premises would be critical.