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Our Ref
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BY POST AND E-MAIL:
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Dear Deputy Morel

Retail Review – Request for Written Submission

I write further to your letter of 4 September 2018 and the Economic Affairs Scrutiny Panel's review of the challenges faced within the Island's retail sector.

You have set out your Terms of Reference for the review and I set out below our response to the five questions raised as follows:

1 What are your general thoughts on the retail sector in Jersey?

Local retailing provides a good level of cover and variety for a market the size of Jersey's. It offers consumers with a far better experience than Guernsey, for example, and we would suggest our high street is busier and in a healthier state than most provincial towns in the UK. However, it has been under threat for a number of years.

2 What can be done at a local level to stimulate retailing?

1. Make it a level playing field by charging tax on all internet purchases.
2. Create more public parking.
3. Create more on street parking.
4. Free parking (especially at weekend).
5. Park and ride schemes.
6. Allow retailers to determine opening hours i.e. trade to 19.00 so can shop after work.
7. Allow Sunday trading, irrespective of size of shop.

Consumers are lazy, so they will always go for the easiest option. If you make it difficult to find a parking space, then you discourage people from coming to town.

The fact is that local retailers cannot compete with the likes of Amazon. Amazon's costs are vastly lower (lower labour and property costs etc), whilst its buying power is substantially greater. We therefore suggest that you consider ways of making it more expensive to shop on line and taxing all on-line purchasers is one way of doing that.

3 Do you feel shopping habits have changed over the last five years?

Absolutely. It has been changing and picking up speed since the late 1990's. You would need to have had your head buried in the sand not to notice this! The internet has grown beyond anyone's expectations and the younger generations are being brought up on it. The choice is substantially bigger on the internet, the price is invariably cheaper, it can be delivered to your door within 48 hours and you don't need to leave the comfort of your chair to browse.

4 Do you think commercial rents have a negative impact on the retail sector?

Every cost to a business has a negative impact, including staff costs, rates, water rates, insurance, tax etc. It is not appropriate to identify just one cost as having a negative impact and penalise property owners for this. A property is expensive to build or to purchase and an owner has the right to receive a market return. The market dictates what that is. If the rent being sought on a vacant property is too high, then it will remain vacant.

Leases are also being negotiated on different terms than in the past because it is an occupier's market. Shorter terms or tenant breaks are now the norm. Wise occupiers are negotiating market reviews, not RPI increases and some have been able to negotiate upwards or downwards reviews, rather than upwards only. This is no different than what has been happening in the UK.

The only difference between our market and that in England is security of tenure. In the UK, a tenant has the right of a new lease at expiry at a market rent. This can be less than the passing rent and is determined by a third party if the landlord and tenant disagree. However, in Jersey, the occupier has no such rights and a landlord can use the tenant's goodwill attached to the property to negotiate better terms than would be achieved in the market if the property was vacant.

5. Have commercial rents increased or decreased over the last five years?

Retail - Town

From 2007 through to 2015, the internet, credit crunch and recession all had a detrimental impact on St Helier's retail sector. As a general guide, market rentals dropped across secondary and prime areas by as much as 25% from their 2006 peak, with evidence of only a moderate recovery during the last three years, especially in King Street and the areas close to the Esplanade/Waterfront.

That said, activity in St Helier's prime and secondary retail markets has recently improved, but it is slow with only a handful of lettings taking place during the last 36 months.

With the movement in the Island's office workforce to the Esplanade and surrounding area, the demand for prime and secondary retail space has followed in the same direction. Whilst King Street retains its place as the prime retail pitch, this migration of customers has had a negative effect on Queen Street and the secondary retail areas around the Central Market and generally, most secondary retail areas east and north of King Street.

Vacancy levels are low throughout the retail sector, compared to most UK towns, although enquiries for units from both local and multi-national retailers are sporadic and a long way from the peak of the mid to late 1990's when key money was frequently paid.

We would welcome sitting down with Scrutiny and having further discussions with regard to the retail review and should you have any queries or questions then naturally please do not hesitate to contact me.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mr Jon Carter', written over the typed name.

Mr JON CARTER
SENIOR DIRECTOR