

# FRESHNEY PLACE CABINET SUB COMMITTEE

<b>DATE</b>	15 <sup>th</sup> November 2023
<b>REPORT OF</b>	Councillor Philip Jackson, Leader of the Council and Portfolio Holder Economy, Net Zero, Skills, and Housing
<b>RESPONSIBLE OFFICER</b>	Sharon Wroot, Executive Director, Place & Resources
<b>SUBJECT</b>	Freshney Place Business Plan and Report
<b>STATUS</b>	Open Report and Appendix
<b>FORWARD PLAN REF NO.</b>	CBSC 11/23/01

## CONTRIBUTION TO OUR AIMS

Following the acquisition of Freshney Place, its successful operation, together with the delivery of the planned leisure scheme, will contribute to the Council's "Stronger Economy" and "Stronger Communities" priorities by securing a strategic economic and community asset which is critical to the town centre's success. Diversification of uses away from pure retail will be the key driver of Freshney Place's commercial performance and social value to the local community.

## EXECUTIVE SUMMARY

This report aims to provide cabinet with a review of the first 12 months of the Council's ownership of Freshney Place, summary of performance and the setting out of the business plan objectives for the following period.

## RECOMMENDATIONS

It is recommended that the Sub-Committee:

1. Notes the annual report.
2. Approves the Business Plan, and delegates responsibility to the Executive Director, Place & Resources, in consultation with the Leader of the Council to implement and to bring another report by way of review within 12 months.

## REASONS FOR DECISION

To continue to achieve optimum performance of Freshney Place, whilst strategically driving the tenant mix towards a more varied visitor experience.

### 1. BACKGROUND AND ISSUES

- 1.1 Following approval at Cabinet and Full Council, the acquisition of Freshney Place was completed on 4<sup>th</sup> August 2022.
- 1.2 Queensberry Real Estate were appointed interim Asset Managers and Montagu Evans appointed as interim Property Managers.
- 1.3 The Annual Report from the Asset Managers is attached, setting out the performance and challenges of the centre over the last 12 months. Some









# **Freshney Place**

Grimsby



**Annual Review 2022/2023 &  
Business Plan 2023/2024**

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## 1. Introduction

North East Lincolnshire Council adopted the Masterplan for Grimsby Town Centre in October 2020. The objective of the Masterplan is to guide investment and delivery of transformational projects. It is important to note that the management of Freshney Place and, the associated leisure scheme, should be considered alongside the delivery of the wider Towns Fund projects, potential High Streets Accelerator Programme and most recently, Long Term Plan for Towns initiative.

Freshney Place provides the town’s primary retail offering, anchored by a variety of occupiers including Primark and TK Maxx and complemented by other retailers such as Poundland and Boots. The centre has two five storey car parks to the east and west of the centre containing 849 car parking spaces which link directly to the centre.

This report aims to review the first 12 months of NELC’s ownership of Freshney Place and set out the business plan (incorporating the strategic objectives) to achieve optimum performance of Freshney Place for the year ahead.

The first part of the report summarises the performance over the past 12 months benchmarked against the aspirations at purchase. The second part of the report forms the business plan for the next period.

## 2. Freshney Place Performance analysis

### 2.1. Background

North East Lincolnshire Council acquired Freshney Place Shopping Centre on the 4<sup>th</sup> of August 2022.

Queensberry Real Estate were appointed interim Asset Managers and Montagu Evans appointed as interim Property Managers.

This paper summarises the highlights and challenges of the first 12 months of NELC ownership.

#### 2.1.1. Asset summary:

<b>Shopping Centre</b>	<b>Freshney Place, Grimsby</b>
<b>Size (net lettable)</b>	278,810 sq ft (excluding development zone and remote storage)
<b>Remote Storage</b>	24,150 sq ft
<b>Development Zone</b>	73,682 sq ft
<b>No. Of Units</b>	5 anchor stores, 74 retail units, various kiosks, and mall units
<b>Anchor Stores</b>	Primark, Next, TK Maxx, Boots & M&S
<b>New Development</b>	77,062 sq ft across 10 Units to be delivered August 2025
<b>Car Park</b>	East Car Park 454 Spaces, West Car Park 395 Spaces

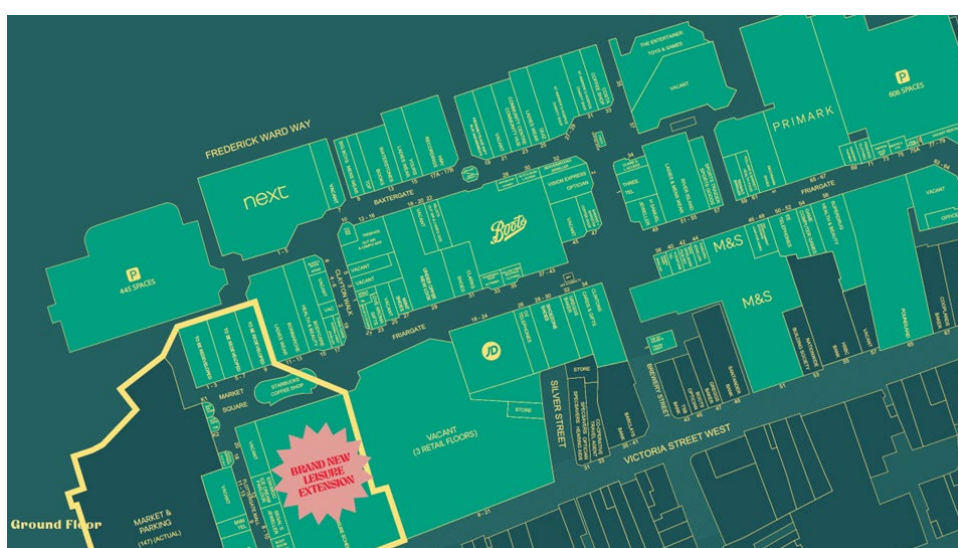
## 2.2. Centre Occupancy

Please note these statistics exclude the leisure development zone from the analysis. This is because the Council has naturally been seeking vacant possession of all these units to facilitate the development. The fact such vacant possession has been achieved through agreement is a key success of the past year.

On a like for like basis, Freshney place occupancy rate has increased from 77.3% in September 2022 to 90.4% by September 2023. Once deals in legals complete this will be over 95% occupancy.

As of September 2023, Friargate occupancy sits at 91.9%. Once deals in legals wash through this will increase to 97.7%. Friargate occupancy was at 80.5% at acquisition.

Baxtergate occupancy at acquisition sat at 78.3% which has been broadly maintained since. Should the new letting to the NHS to deliver the Community Diagnostics Centre progress in line with discussions and all remaining deals in legals, occupancy on Baxtergate would hit 97.2%.



## 2.3. Leasing Highlights

19 lease transactions completed in the first 12 months, including:

- Vision Express and Deichmann committing to Freshney Place.
- Vision Express investing in a brand-new shop fit.
- Securing key target and retail giant New Look.
- Relocation of key retailers such as Segal's, Card Factory and The Works.
- Terms agreed with NHS to bring their Community Diagnostic Centre into the scheme on a long-term arrangement.
- Terms agreed with a national discount retailer, to bring a long-standing void unit (over 9,000 sq ft) back into use.

All deals done to date are at or exceed business plan expectations.

Additionally, £198,185 of historic arrears have been collected which relate to periods prior to NELC ownership. These historic arrears were written off by the previous owner and passed to NELC as part of the acquisition of the centre. There was no expectation of any recovery of these amounts however, through positive engagement and perseverance, over 50% (almost £200k) has been recovered.

Diversification of uses away from pure retail will be the key driver of Freshney Place's commercial performance and social value to the local community. Securing Parkway Cinema for the new Leisure

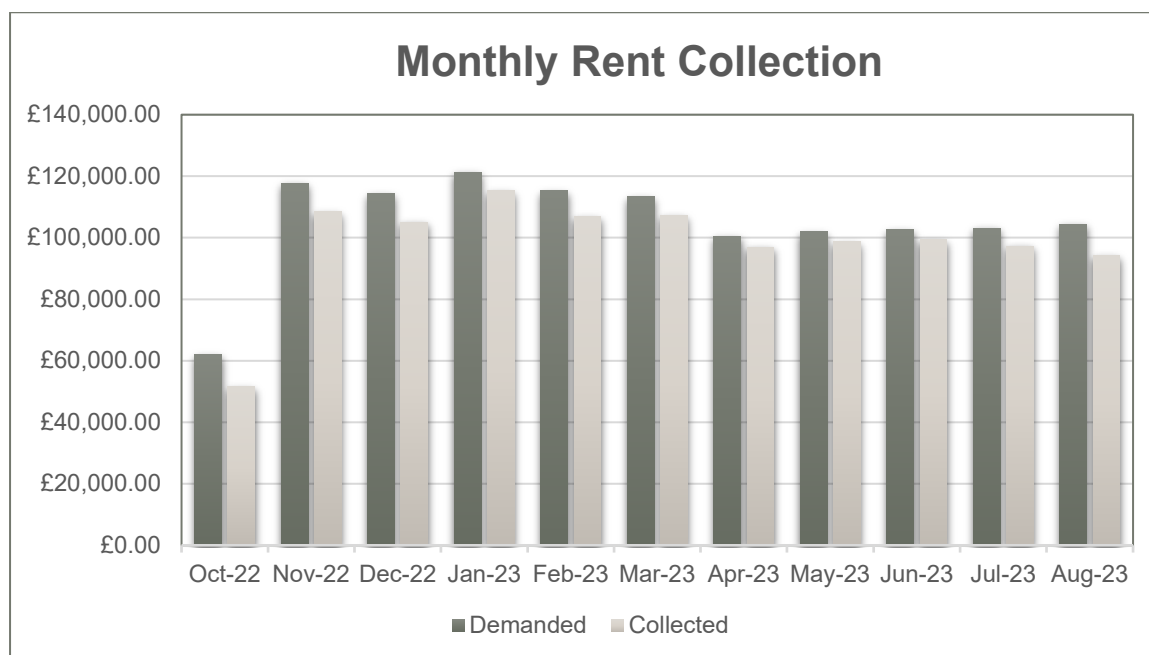


Scheme is a huge milestone for the town centre and bringing forward the Community Diagnostics Centre will drive a different type of visitor to the scheme.

Despite the disruption of vacating all Flottergate and Market Square units, an increase in Service Charge costs and general downward pressure on rents, we have managed to keep the Net Operating Income for Freshney Place stable at circa £1.1M.

## 2.4. Rent Collection

Rent Collection			
Rent	Demanded	Collected	% Collected
Oct-22	£61,936.71	£51,605.54	83.32%
Nov-22	£117,683.22	£108,483.22	92.18%
Dec-22	£114,289.59	£105,089.59	91.91%
Jan-23	£121,313.04	£115,251.40	95.23%
Feb-23	£115,250.32	£106,800.33	94.87%
Mar-23	£113,365.38	£107,115.29	96.80%
Apr-23	£100,471.78	£96,824.31	98.03%
May-23	£101,871.96	£98,621.97	99.49%
Jun-23	£102,622.64	£99,372.65	99.49%
Jul-23	£103,147.03	£97,221.97	96.79%
Aug-23	£104,347.88	£94,115.97	90.19%
<b>Total</b>	<b>£1,156,299.55</b>	<b>£1,080,502.24</b>	<b>95.15%</b>



## 2.5. Footfall at Freshney Place

Footfall figure for 2022 was over 6.5M, this is over 20% higher than 2021. While this is broadly in line with national trends the footfall position during the current calendar year has continued to grow year on year, currently tracking above national and regional averages.

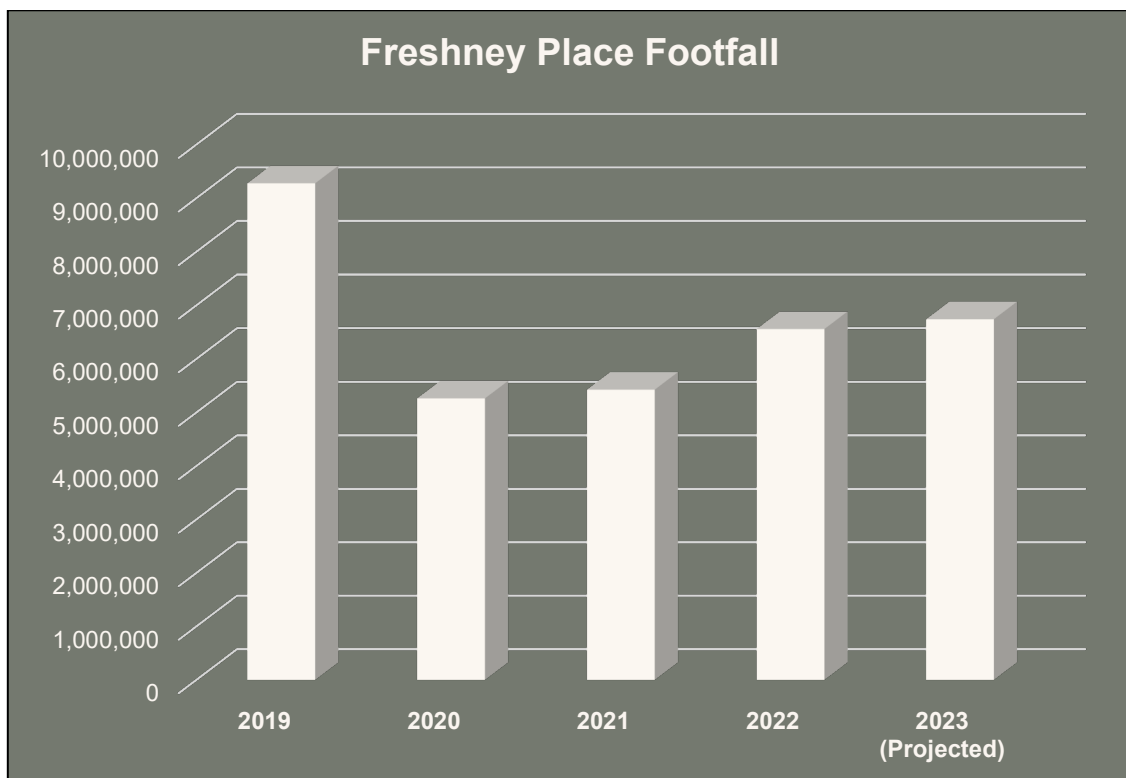
The key contributor to this uptick in footfall is the increase in office workers operating in the town centre. Any opportunity to further concentrate office take up into the town centre would therefore be seen as a significant positive for Freshney Place.

The centre Management team also proactively host events throughout the centre to attract footfall. Examples of some of the events held in the past 12 months are:

- Life in plastic, it's fantastic – Barbie movie.
- Christmas – elf station and Santa visit.
- Halloween - Creepy and the crawly event.
- Easter events such as facepainting and trails.
- Promoting tenant offers regularly over social platforms.
- Viking crafts sessions in the summer – Grimfal Fest.
- Random acts of kindness.
- Coronation Event in May.

Total footfall is still down 25% - 30% on pre covid levels which is in line with the picture across the country.

Please note that once the construction phase of the leisure redevelopment commences, we expect to see some pressure on footfall due to the closure of parts of the scheme.



## 2.6. Sustainability, Environmental and Social Governance

During the period of ownership hard work has been undertaken to drive forward the environmental impact of the scheme. To this end we have seen the following:

- 15% reduction in electricity consumption.
- 19% reduction in gas consumption.
- 12% reduction in water consumption.

Other environmental and sustainability initiatives adopted include:

- EV Chargers.
- Free chilled water from customer watering point saving on single use plastics.
- Use of electric service vehicles rather than diesel reducing co2 emissions.
- Zero waste to landfill. All waste is recycled or converted from waste to energy.
- Compost bins.
- Rainwater harvesting.
- LED lighting throughout.

Social Governance Initiatives include:

- **Freshney Place actively supports Purple Tuesday** – Purple Tuesday has been created by Purple, a leading disability organisation, working with businesses to create awareness and improve the experiences of disabled people.
- **Freshney Place has signed up to Purple 365** – This is a disability training and development resource for organisations such as shopping centres, providing staff access to training on disability related topics to build knowledge, understanding and practical approaches to provide a better experience for disabled customers.
- **Weekly Autism Hour** – Every Saturday, 9am - 10am. No mall music, all rides and mall machines switched off, no electric hand dryers (paper towels provided) in toilets.
- **Alzheimer's Society** – To raise awareness of dementia and the importance of diagnosis and local services, Alzheimer's Society dressed up a window at Freshney Place.
- **Random Act of Kindness** – At key periods throughout the year, such as Valentine's Day, Mother's Day, Father's Day, and Christmas, Freshney Place randomly give out various goodies to visitors.
- **Generation Church Appeal** – To support struggling families Freshney Place are supporting Generations Church Pantry by appealing to the public to kindly donate food items for their Pantry. The Pantry provides food to families at £4 per visit (free membership is required) and is open every Tuesday and Thursday from 12:30 to 14:30.
- **Grimsby Fishing Heritage Centre** – To support Grimsby Fishing Heritage Centre, Freshney Place have provided space to have seven pieces of reproduction artwork installed. The original artworks are held in the museum. The artwork includes links and QR codes promoting the museum website.
- **Grimsby 10k** – To support the Grimsby 10k Run Freshney Place offers free parking to all runners.
- **Our Big Picture** – To support the Friends, Foes & Good Companions art trail. Elements from the exhibition (currently on show at Grimsby Fishing Heritage Centre) will be reworked into an art trail which Freshney Place are providing space for.

## 2.7. Looking forward

The leisure extension to the western end of Freshney Place is key to the transformation of Grimsby town centre. Parkway have been secured to operate a 5-screen cinema to anchor the development which has been positively received by the market. It is a statement of intent and the launchpad for engagement with other leisure operators and wider occupiers.

Subject to approval, work is currently scheduled to commence before the end of the current financial year. Vacant possession has been contractually secured. Out of 9 occupiers, we are delighted to report that 8 have been relocated and retained within the centre.

The potential letting to the CDC will provide a huge boost for Baxtergate in terms of footfall and commercial performance.

The completion of the Riverhead Square improvements will increase the attractiveness of the longstanding void units which face the square.



## 2.8. Challenges

**Car Parks** – At the present time car parking income is lower than what was anticipated in the original business case.

**Footfall** - The transformational leisure extension will, by its very nature, create a variety of challenges during the construction period. Together with the contractor, we are working to minimise disruption through the introduction of temporary walkways, clear wayfinding signage and regular messaging to operators and visitors.

**Baxtergate** – The potential introduction of the Community Diagnostics Centre will diversify the character of Baxtergate whilst improving footfall during traditionally quieter periods. On previous projects of this nature, we have seen an increase in take up from specialist practitioners such as chiropractors, opticians, dental practices among others. This would contribute to a revived Baxtergate, improved commercial performance, increased footfall and will further reduce the amount of retail space available helping generate a more vibrant retail core on and around Friargate.

**House of Fraser Building, Next, M&S** – These buildings / units are outside of the Landlord's control. The former House of Fraser is a key frontage on the high street and Friargate in Freshney Place. While unoccupied this has a detrimental impact on the vibrancy of the town centre and the scheme itself. Whilst we are engaged with both M&S and Next, there is no direct Landlord Tenant relationship with either, thereby limiting influence over their future decision making.

**Maintenance costs** – Any asset of this scale and age attracts costs as components come to the end of their economic life. This will be continuously monitored, and we will be identifying opportunities to futureproof and mitigate these wherever possible.

**Anti-Social Behaviour** – This has the potential to deter would be visitors. Ensuring the efforts of all stakeholders continue to improve the security and safety of the town centre community is paramount. Acknowledging there will need to be both the cause and effect addressed to deliver lasting change. In this regard, the 2025 Group, which runs GRIP (Grimsby Retailers in Partnership) is gaining real traction as a private sector led group that is championing the town centre.

**Educating the wider market on Grimsby and the opportunity it represents** – As more projects come to fruition, there is an opportunity to raise further awareness in the occupier market regarding the wider investment being made in and around Grimsby and North East Lincolnshire.

The following projects are testament to the fundamental positives which underpin the initial success at Freshney Place and what must be built upon:

- South Humber Industrial Investment Programme.
- Improvements being made in Cleethorpes.
- Alexandra Docks.
- Riverhead Square improvements.
- OnSide Youth Zone.
- Huge offshore wind farms and the supporting Operations & Maintenance industry.

Raising awareness of these projects through a strong and coherent communications strategy which informs, educates, and engages key audiences, including prospective occupiers, will be key.

## 2.9. Summary

In summary it has been a very positive initial 12 month period of ownership at Freshney Place:

- Smooth transition from previous ownership and moving the scheme out of receivership.
- Increase in like for like occupancy (excluding development zone).
- Stable Net Operating Income despite disruption and market pressure.
- High intensity leasing activity since acquisition to secure and retain key occupiers.
- Financial terms on all new deals at or above expectations at acquisition.
- Anchor tenant for new leisure extension secured sending statement of intent to the market.
- Footfall trajectory steadily improving.
- Strong recovery of arrears.
- The centre extends to 376,642 sq ft and comprises 89 units. This is subject to change with the proposed demolition and redevelopment of the western end of the scheme.

### 3. Business Plan

The centre extends to 376,642 sq ft and comprises 89 units. This is subject to change with the proposed demolition and redevelopment of the western end of the scheme.

The overarching aspiration for Freshney Place is to diversify and grow both the tenant mix and customer base. A key element of this is the leisure scheme but it is important to note the centre does not sit in splendid isolation and plays an important role in the success of the wider town centre and North East Lincolnshire as a whole.

The outputs of achieving this and therefore the key performance indicators for Freshney Place can be summarised as follows:

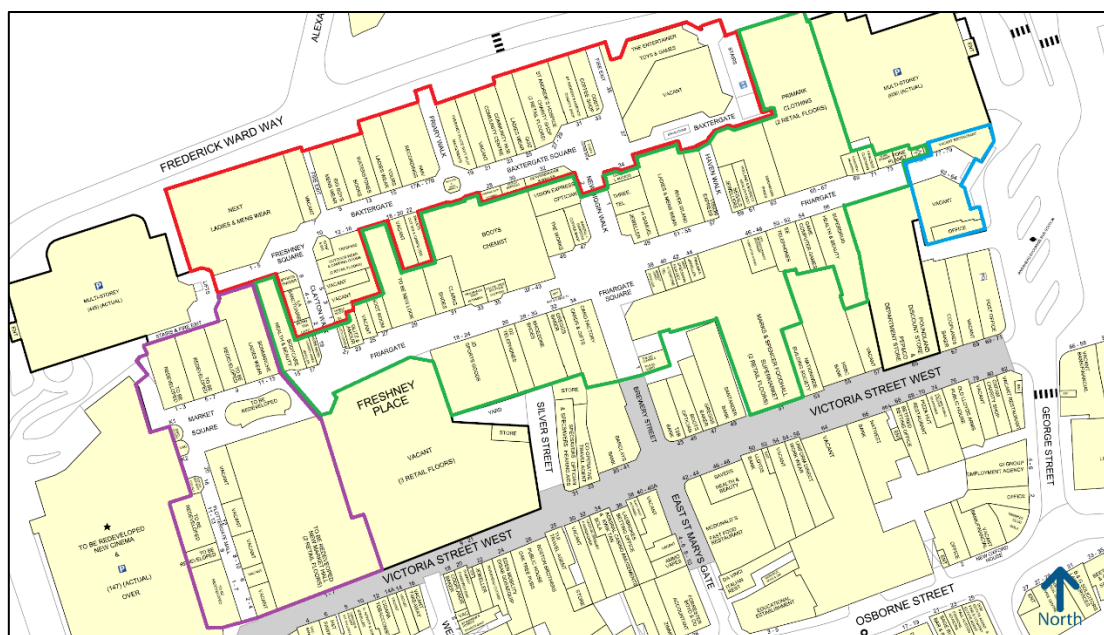
- Increased footfall.
- Increased spend.
- Increased dwell time.

The above will naturally lead to a more attractive proposition to businesses, both local and national, thereby improving the commercial and social value of the asset to the community.

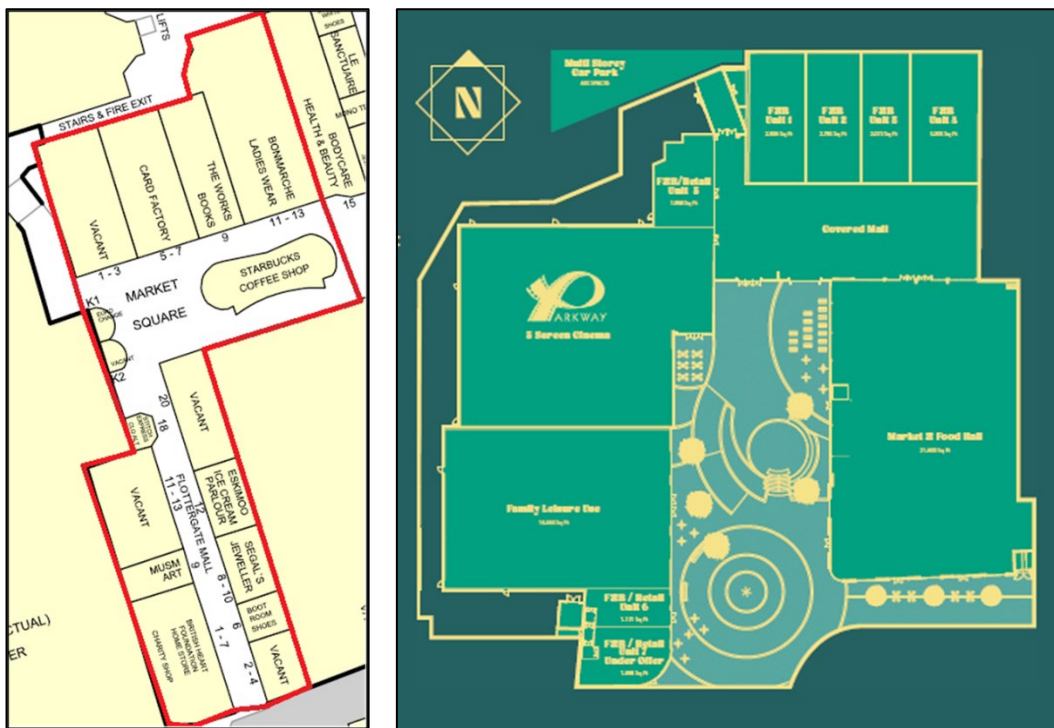
This report will break down the strategic objectives for the year ahead along with the risks faced during this period before concluding with specific actions required to achieve the above goals.

In order to articulate the recommended approach, for the purposes of this report, the scheme has been divided into distinct zones as follows:

- **Leisure Development** – A brand new development at the western end of Freshney Place replacing existing retail space at Flottergate and Market Square with a mix of cinema, restaurant, family leisure and public realm along side the newly relocated market and a food hall.
- **Friargate** – The dominant retail pitch for the scheme and indeed the town.
- **Baxtergate** – A secondary pitch for the scheme where demand and in turn take up is far weaker than Friargate.



## 4. Development Zone



### 4.1. Key Strategic Objectives

Secure vacant possession of all Flottergate and Market Square units to facilitate redevelopment. This has been achieved. All but two occupiers have relocated or are under offer to relocate within the centre.

Secure key anchor tenants:

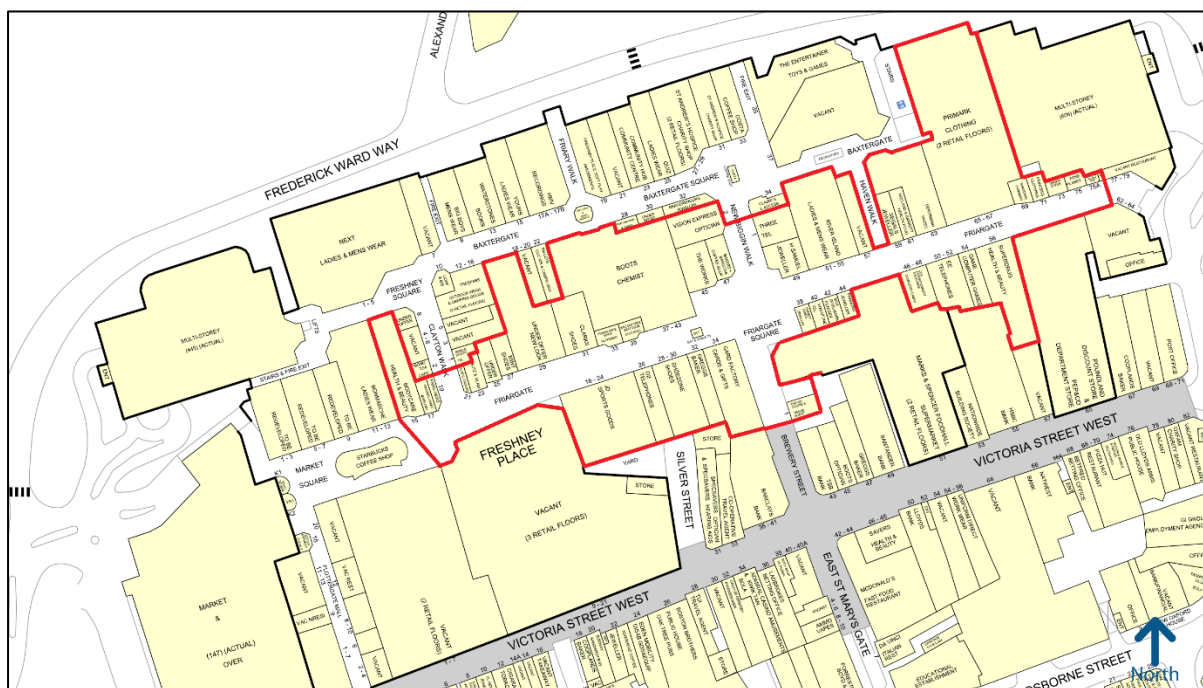
- Parkway Cinema already secured to deliver 5 screen cinema.
- Leisure sector being approached to generate interest in family leisure unit and improve critical mass.

Successfully achieving critical mass will facilitate engagement with occupiers of the restaurant units and the market & food hall space. A mix of strong regional and established national operators will be targeted.

## 5. Friargate

Friargate is the main thoroughfare and prime pitch within the scheme (and Grimsby town centre). Friargate produces the highest occupancy levels, highest footfall, highest rents and in turn the best fascia's including:

- Primark
- River Island
- Boots
- Superdrug
- M&S
- JD Sports



The prime thoroughfare within the scheme which is reflected in the current vacancy rate of just 8.1%. Of this, 5.8% is currently under offer and progressing through legals – assuming no further changes, this will take Friargate to 97.7% occupancy.

### 5.1. Key Strategic Objectives

Secure the following key, existing occupiers on extended terms:

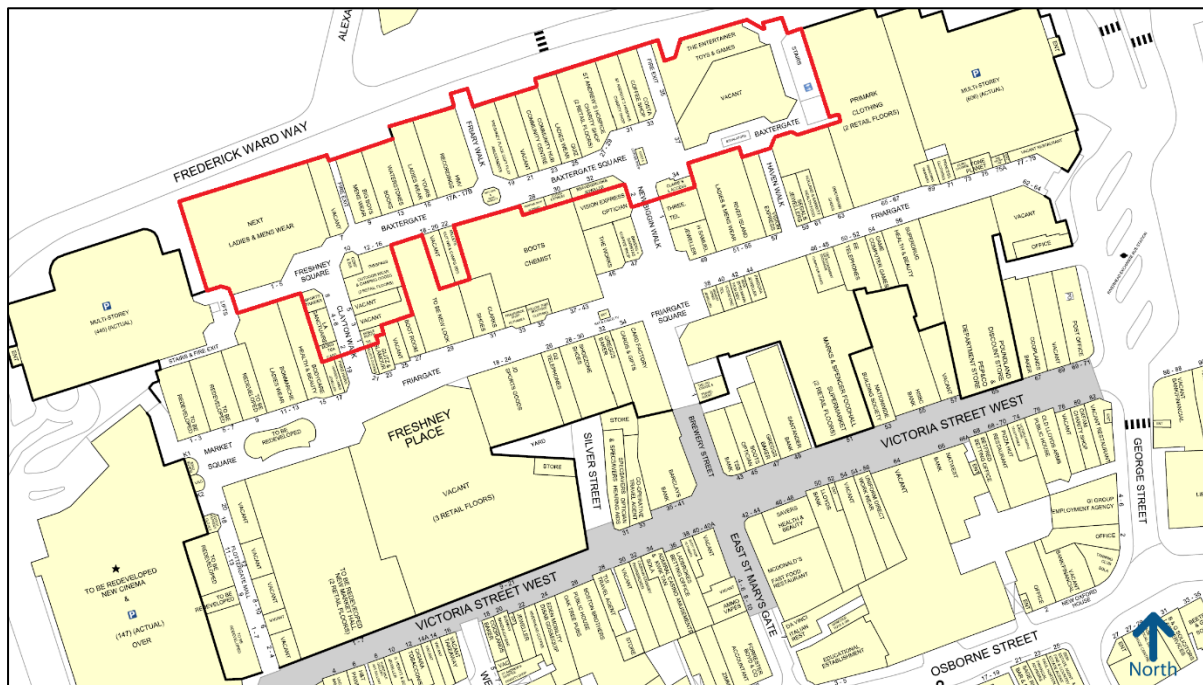
- Boots
- River Island
- EE
- Three
- Deichmann (secured)
- Vision Express (secured)

Attract and secure new lettings to fashion retail operators (independent, regional, and national) which improve or complement the existing tenant mix.



## 6. Baxtergate

Baxtergate is characterised by weaker fascia's, commercial terms and lower occupancy rates and footfall than Friargate.



This is reflected in the current occupancy rate of 78.3%. Historically, prospects for this part of the scheme have been limited due to a general lack of demand for secondary retail in the market. However, the progress with the NHS and delivery of the Community Diagnostics Centres brings a real opportunity to diversify the use and visitor profile whilst materially improving occupancy. In addition to the community benefit to having the provision of a valuable service located in such an accessible town centre location.

### 6.1. Key Strategic Objectives

Increase diversification of end users by attracting complementary non-retail uses to this zone.

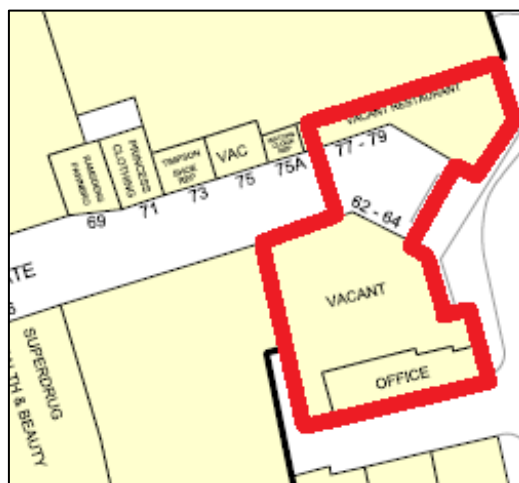
Terms are agreed with the NHS for the delivery of a Community Diagnostics Centre across several retail units along with the associated upper floors comprising a total of circa 15,000 sq ft. This will transform the character of Baxtergate while improving footfall during traditionally quieter periods. On previous projects of this nature, we have seen an increase in take up from specialist practitioners such as chiropractors, opticians, dental practices among others. This would contribute to a revived Baxtergate, improved commercial performance, increased footfall and will further reduce the amount of retail space available helping generate a more vibrant retail core on and around Friargate. This letting would take occupancy in this part of the scheme to 97.2%.

Aim where possible to engage new lettings in this part of the scheme in line with prudent estate management thereby protecting the longer-term prospects for redevelopment.

Explore third party use of the prominent external facing elevations of this part of the scheme, facing on to Fredrick Ward Way, to generate alternative income streams.

## 7. Riverhead

The two units which face Riverhead Square are long term voids with high landlord costs.



### 7.1. Key Strategic Objectives

Secure occupiers for the two outward facing units at the eastern end of scheme.

Target occupiers to provide activation for this prominent entrance.

Public realm works are underway to deliver a high-quality public square with expected completion during Q1 2024 – this will strengthen the prospects of securing tenants.

## 8. Risks

**Expiry Profile** - 33 leases come to an end within 24 months / this reflects 27% of the total area of Freshney Place (excluding development zone). It should be noted that Queensberry and the current agents are actively engaged with occupiers that have approaching lease events to facilitate swift resolutions wherever possible.

**Car Parks** – Ongoing maintenance and increased operating costs are impacting the on the net income position of the car parks.

**Footfall** – As mentioned above, the transformational leisure extension, will by its very nature, create a variety of challenges during the construction period. Together with the contractor, we are working to minimise disruption through the introduction of temporary walkways, clear wayfinding signage and regular messaging to operators and visitors.

**Baxtergate** – This part of the scheme attracts a lower level of demand than Friargate for retail occupiers and therefore the deal structures and commercial terms are invariably weaker, which impacts on footfall and general performance. The potential introduction of the Community Diagnostics Centre will go a long way to addressing this.

**House of Fraser Building, Next, M&S** - These buildings / units are outside of the Landlord's control. The former House of Fraser is a key frontage on the high street and Friargate in Freshney Place. While unoccupied this has a materially detrimental impact on the vibrancy of the town centre and the scheme itself. While we are engaged with both M&S and Next, there is no direct Landlord Tenant relationship with either, thereby limiting influence over their future decision making.

**Maintenance costs** - Any asset of this scale and age attracts costs as components come to the end of their economic life. This will be continuously monitored, and we will be identifying opportunities to futureproof and mitigate these wherever possible.

**Anti-Social Behaviour** – This has the potential to deter would be visitors. Ensuring the efforts of all stakeholders continue to improve the security and safety of the town centre community is paramount. Acknowledging there will need to be both the cause and effect addressed to deliver lasting change.

**Educating the wider market on Grimsby and the opportunity it represents** – There is a lack of awareness in the market regarding the wider investment being made in and around Grimsby which can be exploited.

The following projects are testament to the fundamental positives which underpin the initial success at Freshney Place and what must be built upon:

- South Humber Industrial Investment Programme.
- Improvements being made in Cleethorpes.
- Alexandra Docks.
- Riverhead Square improvements.
- On Site Youth Zone
- Huge offshore wind farms and the jobs this creates.

Raising awareness of these projects through a strong and coherent communications strategy which informs, educates, and engages key audiences including prospective occupiers will be key.

## 9. Actions



- Drive the scheme towards an established and defined mix of uses in line with the above.
- Drive occupancy in line with zones identified.
- Drive security of income, both from a quality of operator and length of commitment perspective.
- Successfully raise awareness of the scheme through a strong and coherent communications strategy which will inform, educate, and engage key audiences including prospective occupiers.

This will include key messaging via media coverage, events, social media channels, the leasing brochure, website, and hoardings.

- Ensure attention across the town centre stakeholder groups remains resolute in terms of anti-social behaviour.
- Intensify the vibrancy of the retail offer on Friargate through new lettings and encouraging investment from existing occupiers.
- Adopt long-term maintenance and capital expenditure programme to protect the long-term integrity of the property.
- Leverage the potential introduction of the Community Diagnostics Centre to drive further diversification towards complementary non-retail uses alongside quasi medical uses which will benefit from proximity to the CDC. In other schemes we have seen an uptick in demand from specialist practitioners such as chiropractors, opticians, cosmetic dental practices following the opening of NHS facilities in town centre locations.
- Identify opportunities to derive additional income improving commercial performance.

The above actions will help to bring forward the following aspirations for the scheme and the town centre:

- Increased Footfall.
- Increased Spend.
- Increased Dwell time.
- Increased market confidence.
- Shift in shopper profile.
- Creating a day to evening experience.
- Creating a safe and secure family centric environment.

**Queensberry**