

## **ECONOMY OVERVIEW AND SCRUTINY PANEL**

### **17 JULY 2023**

## **COMMERCIAL PROPERTY IN WORCESTERSHIRE**

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### **Summary**

1. The Economy Overview and Scrutiny Panel has requested an overview of commercial property and its availability in Worcestershire.
2. The Cabinet Member with Responsibility for Economy, Infrastructure and Skills, and the Interim Assistant Director for Economy have been invited to the meeting to respond to any queries the Panel may have.

### **Background**

3. The Panel is considering the Commercial Property and its availability in Worcestershire to understand the current position of the Worcestershire property market post the Covid-19 pandemic.
4. The Commercial Property sector is operating within the context of economic uncertainty, due to a rapid rise in the cost of debt, high inflation, corporate demand uncertainty and the ongoing long-term structural shifts in demand, accelerated by the pandemic.
5. For the wider Commercial Property market, the high level of economic uncertainty and evidence that prices are correcting have encouraged a 'wait-and-see' attitude among real estate investors. Across the markets, there are reports of a mismatch between buyer and seller expectations on pricing. There is an expectation that there will not be a significant increase in construction levels, and the lack of stock will continue to act as a constraint on take-up and will support prime rental levels.

### **Current Position**

6. Worcestershire managed its way through a volatile Property Market in 2022/23 and saw record, rising industrial rents in the County.
7. Table 1 (below) outlines the Industrial take-up and Table 2 outlines the vacancy rate from 2019 to 2022.

**Table 1 Total take up (sqft) of industrial premises 2019-2022**

Area	Total take-up sqft (Industrial)*			
	2019	2020	2021	2022
Bromsgrove	60,067	76,632	65,754	73,508
Malvern Hills	43,832	20,294	81,728	92,728
Redditch	251,679	639,010	332,363	468,147
Worcester	227,999	139,776	514,429	56,481
Wychavon	541,959	131,299	628,632	212,236
Wyre Forest	241,366	124,508	116,928	192,082

**Table 2 Vacancy rates – Industrial Premises 2019-2022**

Area	Vacancy rate % (Industrial)*			
	2019	2020	2021	2022
Bromsgrove	3.8%	2.8	4.9	4.3
Malvern Hills	4.3%	3.4	1.4	7.0
Redditch	2.1%	6.3	3.7	2.7
Worcester	3.8%	3.5	3.4	4.5
Wychavon	3.8%	3.9	1.0	2.2
Wyre Forest	4.6%	3.1	3.1	3.0

\*Data provided by GJS Dillon – Worcestershire Commercial Property Market report

### Bromsgrove

8. Take-up has been consistent over the past five year and has the lowest average deal size of all regions, showing demand from small and medium-sized enterprises (SMEs) and the space that has been made available to them. New developments are being brought forward to continue and cater for this market, this includes Phase 2 of Sapphire Court.
9. The right space is being created for the market and to a high standard. This has led to consistently strong performance for a sustained period of time in Bromsgrove.

### Malvern Hills

10. In 2022, take-up was double the ten-year average, this was due to the two large transactions at Broomhall Business Centre. These two letting also increased the average deal size however, if they are removed, demand still remains high. The jump in vacancy rate is reflective of the delivery of new space at Broomhall Business Park.
11. Improved infrastructure is opening Malvern Hills to new occupiers. New space is needed to continue catering for the needs of SME's and Tech occupiers.
12. Broomhall Business Centre has created a great offering for large occupiers however, high-quality space is needed more centrally within this region. This will

help support the growth of existing occupiers and to meet the requirements of new businesses as well as establishing Malvern Hills as the Tech-hub for Worcestershire.

### Redditch

13. In 2022, take-up exceed the ten-year average notable lettings include two units at Velocity 42 which include 80ksqft to Lounge Underwear and 45ksqft to RK Brands.
14. Redditch has amongst the lowest vacancy rates within the County. Such schemes as Velocity, Crescent Trade and Enfield Industrial estate have now completed, so new developments/refurbishment of old stock needs to be brought forward to help cater for continue demand.
15. There is good momentum within Redditch Industrial market which has been brought on by new developments and the good supply of space. For this momentum to continue, quality buildings need to be made available to occupiers across all size categories.

### Worcester

16. In 2022 take-up in Worcester industrial sector was low. This is likely owing to the limited availability of space that has impacted recent take-up values. There are no new build or high quality small industrial unit schemes within the City. This can be addressed by providing quality new schemes across the market and could be in the form of refurbished existing accommodation as new regulations need to be met.

### Wyre Forest

17. Wyre Forest, experienced high levels of demand in 2022, which is encouraging. The supply of freehold opportunities such as units at Bewdley Business Park is amongst the highest in the County. Whilst these opportunities are rare within other sub-markets, this space will/is highly sought after.
18. The successful delivery by Wyre Forest District Council of six units at Forest Industrial Park shows how more of this type of space is needed, along with larger accommodation for businesses looking to move from more congested and higher cost areas.
19. Table 3 (below) outlines the office take-up over the previous four years

**Table 3 Total take up (sqft) of office premises 2019-2022**

Area	Total take-up sqft (Office)*			
	2019	2020	2021	2022
Bromsgrove	36,528	23,110	46,839	44,116
Malvern Hills	10,876	10,940	1,699	9,826
Redditch	23,286	24,255	25,365	7,422
Worcester	44,871	49,507	50,103	69,189
Wychavon	31,187	28,685	31,058	26,194
Wyre Forest	8,724	18,704	6,789	10,606

\*Data provided by GJS Dillon – Worcestershire Commercial Property Market report

**Table 4 Vacancy rates – Office Premises 2019-2022 Vacancy rates**

Area	Vacancy rate % (Office)*			
	2019	2020	2021	2022
Bromsgrove	2.5	3.3	3.0	4.4
Malvern Hills	5.6	5.2	5.5	3.7
Redditch	2.3	3.0	3.9	6.8
Worcester	3.0	1.3	3.0	3.7
Wychavon	2.1	3.6	1.7	3.4
Wyre Forest	3.3	1.0	0.9	5.6

\*Data provided by GJS Dillon – Worcestershire Commercial Property Market report (detailed in the background papers below)

### Bromsgrove

20. Take-up in Bromsgrove was over 40,000 sqft for the second year running and close to the ten-year average. Twenty-five transactions completed in 2022 against a ten-year average of 26. This demonstrates strong demand from occupiers wanting to be located in Bromsgrove and a healthy bounce back from the pandemic.
21. Bromsgrove remains popular with SME's and owner occupiers, as shown by the high number of transactions. Premium space is sought after however, consideration must be made to providing the right space for the market. Having a good modern office stock should place Bromsgrove in a strong position as we approach changes to EPC regulations.

### Malvern Hills

22. After a shortage of transactions in 2021, take up is back to being on par with 2019 figures. The volatility is owed to a limited supply of stock.
23. Higher standard accommodation is needed to boost the performance of headline rents in the district. Malvern Hills focus on attracting Tech occupiers could support an influx of improved space if demand prevails.

### Redditch

24. 2022 saw the lowest take-up of office in Redditch over the past ten years. Whilst demand across the submarkets has maintained the number of large transactions on both a national and local picture has fallen.
25. In 2021, Redditch had the largest average deal size in the County at 2,537sqft. This halved in 2022, reflecting a lack of larger transactions.
26. Due to demand from Birmingham occupiers looking to relocate to more cost-effective accommodation outside the city could see Redditch as an alternative option and should improve 2023 take-up figures.

### Worcester City

27. During 2022 Worcester is the only sub-market to outperform its ten-year average. This shows the strong demand from occupiers looking to be located in Worcester, enabling them to take advantage of the amenities and create a space to attract employees.
28. Whilst quality office schemes in the city centre are proving popular, consideration needs to be given to investment where opportunities arise to refurbish space and improve access to local amenities, increasing demand and attracting occupiers.

### Wyre Forest

29. Take up in Wyre Forest improved on 2021 levels mainly due to the sale of 4,092sqft at Europa House. This shows the impact of a large transaction can have on what is a relatively small sub-market by way of total office stock.
30. There is demand for “Quirky” office space as employers try to adapt their working environments to attract and retain staff. With its former manufacturing buildings, there is plenty of opportunities to offer this type of space in Wyre Forest.

### **Employment Land Programmes**

31. The Council, District Councils and Worcestershire Local Enterprise Partnership have supported a number of employment land programmes to boost the retention and inward Investment of businesses to the county which include but are not limited to:

### Worcester Six Business Park

32. Worcester Six will provide over 2 million sq ft of employment floor space in a unique business environment and now benefits from over 900,000 sq ft having been delivered or committed across the scheme creating between 350 - 500 jobs. Current and future Worcester Six occupiers/investors include:

- Kimal
- Spire Healthcare
- Material Solutions (part of Siemens)
- Supersmart
- Kohler Mira
- Victoria Carpets
- ZwickRoell
- IONOS
- Cabot 38

### Malvern Hills Science Park

33. Established two decades ago and has grown steadily, with over 40 businesses providing some 130,000 sq ft of flexible or hybrid laboratory and commercial accommodation building over 5 phases in range of facilities including office space, laboratories, conferencing / meeting room suites and the onsite café. Land is available for further development on site known as Malvern Hills Science Park Phase 6.

## Malvern Hills Employment Land for commercial development

34. 4.5 hectares of employment land for commercial development was purchased from QinetiQ in 2018 by Worcestershire County Council in partnership with Malvern Hills District Council.
34. Outline Planning Consent has been acquired for the commercial development, including the provision of a new access road, and cut and fill exercise which has been constructed from Longridge Road by Worcestershire County Council.
35. The future vision of the employment land will build on the presence and reputation of QinetiQ, a globally recognised defence-based technology company. Together with Malvern Hills Science Park, which is home to companies working in science and technology-based sectors. The commercial development site provides the opportunity for further integration to drive economic growth for the county through inward attraction of knowledge-based companies and job creation in the science and technology-based sectors.

## Redditch Gateway

35. The Redditch Gateway development is an exciting opportunity to build on the town's wealth of engineering and manufacturing expertise. The new development aims to promote and enhance supply chain links and to further develop the skills of the local labour market. Redditch, Bromsgrove and Stratford upon Avon District and Borough Councils all approved the project in March 2018 with Outline Planning consent granted.
36. The appointed developer at Redditch Gateway has secured one large occupier, Amazon and now seeking occupiers for the remaining available plots. A planning application was submitted to Stratford Upon-Avon District Council for a further two speculative builds totalling 446ksqft.

## **Employment Land allocation**

36. Local Development Plans aim to ensure that the future development within Worcestershire is well planned and managed effectively, having a positive impact on the environment.
37. Table 5 provides a summary of Employment Land allocations contained within local development plans across all six Districts.

**Table 5 Employment Land Allocations within Local Development Plans**

<b>Area</b>	<b>Size</b>
Bromsgrove local plan 2011-2030 allocation <i>(note this does not include Longbridge)</i>	28 ha
Redditch Local plan 2011-2030 allocation	55ha
Wyre Forest local plan up to 2036	29ha

SWDP review (to be submitted to the Secretary of State in 2023) 2021-2041	290ha
TOTAL	402ha

38. Further details on the employment land allocations are contained within published the local plan documents

- South Worcestershire (Malvern, Worcester and Wychavon: [South Worcestershire Development Plan](#))
- Bromsgrove District Council: [Bromsgrove District plan 2011-2030](#)
- Wyre Forest District Council: [Wyre Forest District Local Plan 2016-2036](#)
- Redditch Borough Council: [Borough of Redditch Local Plan No.4](#)

### **Purpose of the Meeting**

37. The Panel is asked to:

- consider and comment on the information provided on Commercial Property;
- agree any comments or feedback to the Cabinet Member; and
- determine whether any further information or scrutiny on a particular topic is required.

### **Contact Points**

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### **Background Papers**

In the opinion of the proper officer (in this case the Assistant Director for Legal and Governance) the following are the background papers relating to the subject matter of this report:

[\*\*GJS Dillon Worcestershire Commercial Property Market Report 2023\*\*](#)

[Agenda for Overview and Scrutiny Performance Board on 28 April 2023](#)

[All agendas and minutes are available on the Council's website here.](#)