

Bromsgrove · Malvern Hills · Redditch · Worcester · Wychavon · Wyre Forest

Worcestershire Commercial Property **Market Report 2023**





Worcestershire Commercial Property Market Report 2023



FOREWORD

John Dillon

Managing Director
GJS Dillon

2022 was another great year for the Worcestershire commercial property market and this is reflected throughout this report. The year was dominated by record rising industrial rents in the County and once again demand for high quality commercial property across all sectors outstripped supply.

As a business, we anticipated that rents and capital values may have been held back by high energy costs and rising interest rates. However, this was not the case and although the freehold market quietened down in October/November, demand has returned at the start of 2023.

There is a sense that the doom and gloom dominating national media headlines is not helping business confidence regionally. As a County, we have a tremendous amount to offer. With its excellent transport links, wide range of commercial property and healthy start-up market, Worcestershire benefits from a considerable amount of economic resilience. When you combine these factors with a vibrant business community and the innovative new ideas coming forward in the technology sector we have an exciting future that we should all be proud of.

I would like to take this opportunity to thank all our loyal clients, customers and local businesses that support us as a Company. The loyalty and trust that you continue to show to all the team here at GJS Dillon is appreciated and never taken for granted.

It would also be remiss of me not to thank my fantastic team for all their hard work in 2022, not just on the Commercial sales, letting and acquisition side but also in our busy Property Management Team, the Valuation Team, the Commercial Building Surveying Team and our new sister company, GJS Dillon's the House Surveyors.

This year's report has once again been prepared in collaboration with the Worcestershire LEP and I would like to thank them for their continued contribution and support.

Top 5 take-aways

- 1 Worcestershire is showing a resilience to economic uncertainty
- 2 Office take-up has increased for the third year running
- 3 Industrial take-up down as demand far outstrips supply, especially for small to medium sized units
- 4 Office rents are increasing as quality space in the right location becomes sought after
- 5 EPC regulations set to shake up the market with Landlords needing to be prepared

Making Worcestershire a Connected, Creative, Dynamic Economy For All

Worcestershire is a county that provides a perfect blend of urban and rural life.

The Worcestershire Local Enterprise Partnership (LEP) brings together the public sector, private sector and education sector to create a united voice driving growth in the county to achieve their vision for Worcestershire - "A connected, creative, dynamic economy for all".

Within the property space, the Worcestershire LEP has been able to support growing the availability of both residential and commercial space. The Worcestershire LEP has received funding via the Government's Local Growth Fund to invest in



projects like Worcester Six Business Park and Malvern Hills Science Park, which are providing commercial property to help local

businesses to expand and attract inward investment to the county. In 2020, the Government's Getting Building Fund was announced with the WLEP using its funding to support the Vale Business Park expansion as well as future development plans for the Malvern Technology Park. Alongside these commercial focused property projects, the Worcestershire LEP is working on contributing towards the delivery of 21,500 new homes by 2025.

Across the Local Growth Fund and Getting Building Fund, the Worcestershire LEP has been able to also invest in schemes that are alleviating and improving travel times and options, providing new facilities to help train the next generation as well as upskill existing staff and improve digital connectivity and innovation. As well as this work, the Worcestershire LEP is also providing business support to businesses across the county, all of this work is boosting the local economy.

To find out more about the Worcestershire Getting Building Fund, visit the Worcestershire LEP's website
www.wlep.co.uk/current-projects/getting-building-fund



Key developments within the LEP's projects over the last 12 months

Worcester Six Business Park

New tenants have been confirmed for the Worcester Six Business Park. IONOS, one of the largest European-based data hosting companies, confirmed that the site would be the location of a major data centre. Alliance Flooring of Victoria PLC also confirmed their desire to be located on the business park, and it was also announced that the Worcester Six Business Park would be expanded by a further 680,000 sq ft of floorspace.

Vale Business Park Expansion

It was identified in previous editions of GJS Dillon's Worcestershire Commercial Property Market Report that there was a shortage of commercial property suitable for small to medium enterprises (SME). The Worcestershire LEP and other local partners recognised this and invested in the expansion of the Vale Park Business Site, which during late 2022 was confirmed as being completely allocated less than year after the units were completed.

Worcestershire's Commercial Technology Accelerator

Improving both physical and digital connectivity has also been a priority for the Worcestershire LEP.

Over the past year alone, several schemes to improve travel times and options have been complete. Examples like improvements to the A38, Hoobrook Island and the A456 at Hagley are helping to ease congestion and make journey times more reliable.

Digital connectivity is also a big ambition. In 2022 it was confirmed that the Rural Gigabit Connectivity Project had exceeded its targets for the number of new broadband connections. This is helping those in the most rural of situations, providing them with the broadband speeds of an urban environment with the benefits of a rural atmosphere.

Innovation support has seen many developments over the past year. BetaDen, Worcestershire's Technology

Accelerator, based at the Malvern Hills Science Park, is continuing to support cohorts of businesses to develop game breaking technology products and services, accelerating them to grow and be market ready.



The BetaDen team have now successfully delivered 5 cohorts with 43 companies supported since launch and helped them to raise over £6m in further investment funding. BetaDen is also co-located with Worcestershire's Commercial 5G Test Bed, nexGworx, offering members of their cohorts' access to develop their products on 5G technology. The 5G testbed service for business offers a variety of potential entry points and customer journeys for small, medium and large businesses to ensure that the technology can be best utilised to enable businesses to grow.

If you'd like to discover more about the 5G testbed and how it could be used with your business, visit www.wlep.co.uk/current-projects/worcestershire-5g

To find out more about BetaDen, visit www.beta-den.com

Creating our future workforce

In addition to the developments with connectivity and innovation, the Worcestershire LEP continues to deliver projects to ensure Worcestershire is creating its future workforce.

The Worcestershire LEP and Worcestershire County Council have continued to deliver the Careers Hub programme, connecting all the middle and secondary schools in the county with businesses. Inspiring young people to stay and work in the county. Alongside this, the Careers Worcestershire helpline was launched, this is directly supporting those between 16-24 years old to source employment and training courses. The team has also been delivering the Government's Skills Bootcamps programme. This is providing a training option to help individuals into employment and businesses to upskill or retrain their staff with support from expert training providers. These services work alongside the Worcestershire Jobs platform, a free central website which lists vacancies and training opportunities in Worcestershire.

Discover more about the Careers Hub programme, Skills Bootcamps, Worcestershire Jobs and the rest of the LEP's Skills programmes www.wlep.co.uk/current-projects/employment-skills

Business Support Hub

Businesses are a crucial aspect of ensuring the Worcestershire LEP's vision for the county and the Worcestershire Growth Hub, the county's business support hub, have been working tirelessly to signpost and support businesses.

The Worcestershire Growth Hub team are on hand to help businesses of any size, within any sector, with accessing support schemes and funding around starting a business, growing a business and running a business.



Worcestershire Growth Hub are also able to help businesses with finding new premises here in Worcestershire, working alongside various partners across the county, including GJS Dillon.

Find out more about how your business could be supported by Worcestershire Growth Hub visit www.worcestershiregrowthhub.co.uk

Redditch Gateway

The Redditch Gateway site received approval for the development of almost 450,000 sq ft of new industrial and logistics accommodation to expand the business site. The two new net zero carbon units will be built with construction of these sites due to be complete in late 2023.





Commercial Property, Green Leasing, Energy Efficiency and 2023 predictions

Cherry Elliott and Nyree Applegarth, two members of the commercial property team at leading law firm Higgs LLP, examine the increasing impact of the green agenda on landlords and tenants.

It finally seemed as if the commercial property world started to get to grips with green leases and ESG in 2022.

For those unfamiliar with the term "green leasing", it can cover two different aspects. The first is a contractual obligation in a lease on the part of the landlord or tenant to improve the energy efficiency of the building. The second is a less formal commitment documented in a memorandum of understanding that is attached to the lease. In both instances, the aim is to commit the landlords and tenants to work together to manage and improve a building's environmental performance.

For some time now, it has been common to see an obligation in a lease prohibiting a tenant from undertaking any works that would reduce a property's EPC rating. The Minimum Energy Efficiency Standards (MEES) regulations were introduced in 2015 and require a commercial property to have an EPC certificate rating of at least "E" before a new or renewal lease can be granted.

From 1 April, 2023, a commercial property will have to have an "E" rating if it is to be lawfully let. Building owners have had some breathing space since 2018 to improve a buildings' energy efficiency but if a landlord is not confident by this April that its building does have an EPC rating of "E" above then they potentially open themselves up to significant fines if that building remains let.

The implementation of more onerous obligations is all part of a longer term Government plan to continue to improve building efficiency ratings. It is currently proposed that all commercial properties will have to have a minimum rating of "B" by 2030 with a potential interim milestone of "C" by 2027. The gulf between an "E" and a "B" rating can be huge and potentially requires very costly works to be undertaken in order to comply.

Given that 2027 and 2030 are not that far in the future, we are expecting lease obligations around improving energy efficiency and a building's environmental performance to become much more prevalent in lease renewal discussions and for these issues to become more and more contentious.

Environmental issues will continue to become more important over the next 12 months, and nobody involved in commercial property can ignore their impact.

What we've seen over the last 12 months, which has been a non-issue until 2022, are more and more landlords and tenants seeking advice in relation to who has responsibility for paying utility charges.

Many commercial leases contain all-inclusive rents where a tenant pays a set amount to its landlord to cover the principle rent and the utility charges. Over the last 12 months, such provisions have become financially disastrous for any landlord who suddenly finds that they are paying increased huge utility costs that they are not able to pass on to their tenants. This is inevitably going to become a battleground for lease renewals.

According to JLL's 'Decarbonising the Built Environment Report', 34% of occupiers globally already had some form of green lease obligations in place by the end of 2021 but it is estimated that a further 40% plan to sign up by the end of 2025.

It is also likely that provisions regarding consent for tenant alterations being linked to the environmental performance of proposed works, more environmentally friendly reinstatement provisions and terms which deal with the increased cost of buying specifically green energy or undertaking works to improve a building's environmental performance will become more regularly negotiated.

An unexpected consequence of the pandemic was the increased pressure on the County Courts to determine new lease terms in lease renewals in the absence of agreement by

the parties. Pre-2020 it was rare for an uncontested lease renewal to go near a trial but in the last three years, trials in these cases are common. There have been reported cases regarding the inclusion of pandemic clauses and turnover rents and a spike in the number of unopposed lease renewals that suddenly the courts are being asked to determine.

It is likely that green leasing provisions are going to maintain that pressure on the courts, as they become the points of contention in lease renewals, and it will be interesting to see how the courts will approach the inclusion of new green leasing provisions whilst balancing the interests of the parties and a global desire to improve energy efficiency.

The RICS identified 5 areas of concern and recommendations to address them

No decarbonisation targets for industry subsectors (eg residential) nor individual buildings.

Define science-based targets for UK real estate at the subsector and individual building levels, engaging through the Net Zero Carbon Building Standard initiative.

Complex metrics for assessing building performance make it difficult to understand whether updates to building regulations go far enough

Mandate net-zero carbon emissions for all new buildings as soon as possible, and any delay must be justified with solid evidence.

Limited support in England for retrofitting.

Establish a national programme to fund retrofit projects, following the direction contained in the National Retrofit Strategy developed by the Construction Leadership Council.

Lack of energy management incentives risk undermining efforts to construct and retrofit energy efficient buildings.

Improve the EPC scheme to make it fit for the different purposes that it serves. Accelerate a national performance-based rating scheme to ensure that final energy use and carbon emissions are publicly available metrics. Develop fiscal policies to stimulate improvements in building operations by 2030.

No embodied carbon regulations (emissions are uncontrolled and unmeasured, with little incentive to reduce them)

Introduce embodied carbon requirements in a new section of the Building Regulations as proposed by the Part Z initiative, mandating embodied carbon assessments to be conducted at design and completion stages, and introducing maximum limits for embodied carbon

Developers and Decarbonisation

Whilst new build developers are way ahead in relation to sustainability and energy efficiency, developers involved with demolishing and rebuilding existing buildings need to be very mindful of potential risk, delay and challenge if they don't put environmental concerns at the very top of their agenda.

The UK has committed to reach net zero by 2050 and, as a result, developers are facing increased scrutiny in relation to alternatives to complete demolition and rebuilding. Take, for example, Marks & Spencer's proposal to replace its hundred-year-old art deco building on Oxford Street. Save Britain's Heritage campaigned for the building to be refurbished instead of taken down and rebuilt and claimed that 40,000 tons of embodied carbon would be released by the demolition.

The proposed works attracted so much media and public attention that a public inquiry was held in October and November 2022 to decide whether the demolition could go ahead, despite the grant of planning permission. The decision of the inquiry is still awaited at the time of preparing this report. What makes the M&S campaign notable is that it is the first public inquiry to consider sustainability alongside heritage as a major issue.

The arguments in support of the retention of the existing building are that there is no fundamental structural, facade deterioration or safety explanation that justify the demolition. M&S decided to demolish and rebuild in 2018 and, despite the greater understanding that now exists around embodied carbon, they have not re-visited their plans. This is in spite of M&S having an ambitious green agenda and announcing that it was going to cut a third of its carbon emissions by 2025 and be fully net zero by 2045.

Advocates for the retention of the building argue that it presents an ideal opportunity for a market leading, innovative and comprehensive retrofit.

They also stress that that greater operational energy efficiencies in the building - including avoiding the large embodied carbon

emissions of demolition and rebuild, providing the desired improvements in high-quality retail and office space and avoiding the harmful heritage impact of the proposed newbuild scheme - could all be achieved.

Shortly after the closing statements in the public inquiry, the RICS published its own report "Decarbonising UK real estate" on 7 November, 2022. It concluded that urgent action is needed to decarbonise UK buildings and that existing policies are insufficient to meet the net zero commitments by 2050.

Summary

Environmental issues will continue to become more and more important over the next 12 months, and nobody involved in commercial property can ignore their impact. Landlords may need to think about imminent financial investment in their portfolios to ensure that their properties comply with the MEES regulations and will be compliant with the enhanced obligations by 2030. It is not realistic to expect tenants to fund all required works and landlords would be well advised to understand now what works might be needed, and plan to spread the costs.

Higgs LLP has a wealth of experience in all green property matters and would be delighted to assist if you have any property or dispute requirements. For more information, please contact Nyree Applegarth or Cherry Elliott.



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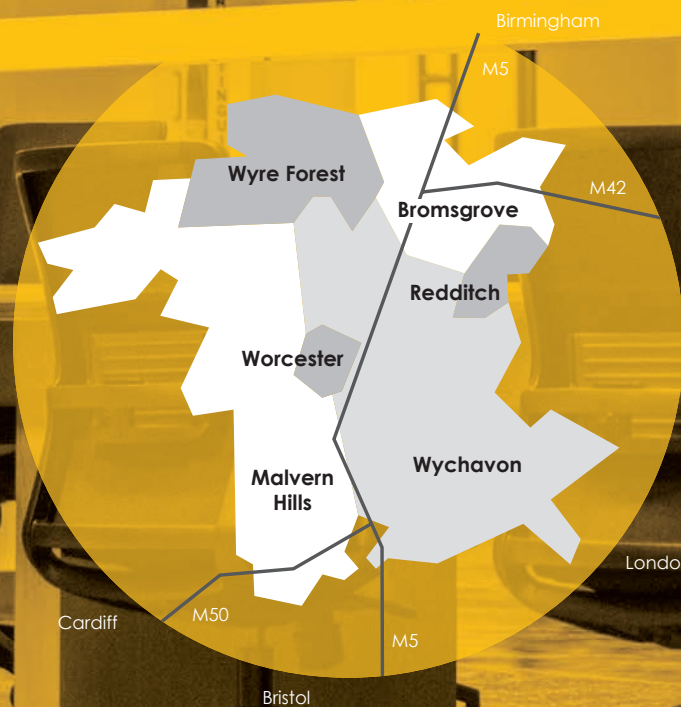


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Office Sub-Markets 2022

	Total Take-Up (ft ²)	Vacancy Rate	Avg. Deal Size (ft ²)
Bromsgrove	44,116	4.4%	1,765
Malvern Hills	9,826	3.7%	1,638
Redditch	7,422	6.8%	1,060
Worcester	69,189	3.7%	2,471
Wychavon	26,194	3.4%	1,379
Wyre Forest	10,606	5.6%	1,326



ANALYSIS

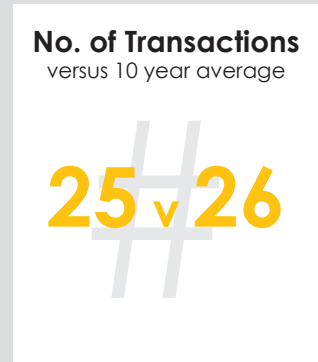
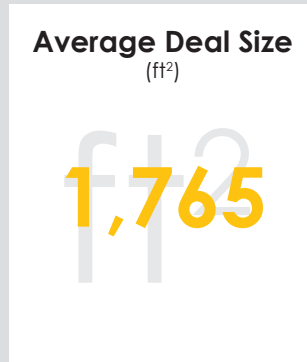
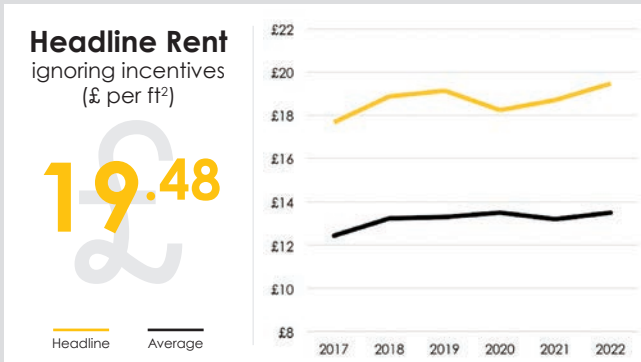
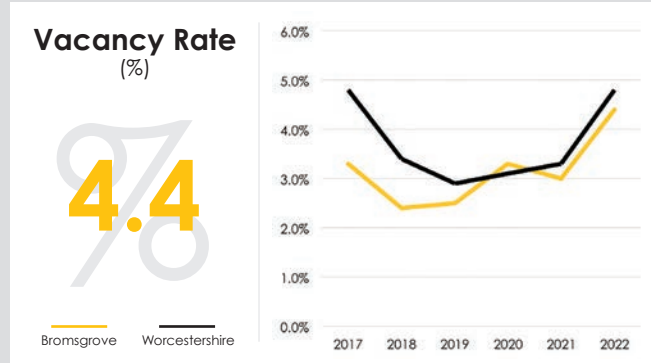
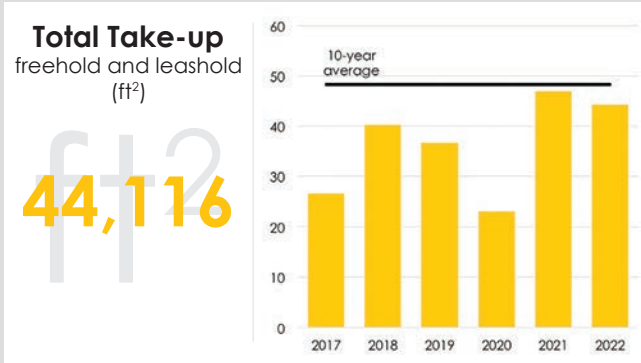
Andrew Lewis
Director of
Commercial Agency

GJS Dillon's award-winning Sales, Lettings & Acquisitions team is headed by Andrew Lewis, a Chartered Surveyor with experience in both the London and Worcestershire commercial property markets. Andrew knows the area inside out having been born and bred in the county.

Our bespoke acquisition service, which benefits from the full range of departmental expertise available at GJS Dillon, helps customers acquire the perfect commercial premise.

For further information contact Andrew on **01905 676169** or **andrewlewis@gjsdillon.co.uk**

Bromsgrove



The consistently high rental performance and demand levels for quality accommodation should give confidence to Landlords and investors. This data provides ample justification for refurbishing dated accommodation in Bromsgrove.

Demand

Take-up in Bromsgrove was over 40,000 sq ft for the second year running and close to the ten-year average. It is still a way off the five-year average from 2013 – 2017 which was 58,401 sq ft, perhaps a reflection of the reduced average deal size.

25 transactions completed in 2022 against the 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.

Supply

Vacancy rates have increased, which is reflective of there being a number of vacant offices that are 4,000 sq ft or above. Although these larger vacant offices fall well above the average deal size of 1,765 sq ft, there could be an opportunity to split buildings or floors to cater for the demand for smaller occupiers.

Headline rents have increased at a greater rate than average rents, showing the demand for quality space and the need to supply this to the market.

Rental and Capital Values

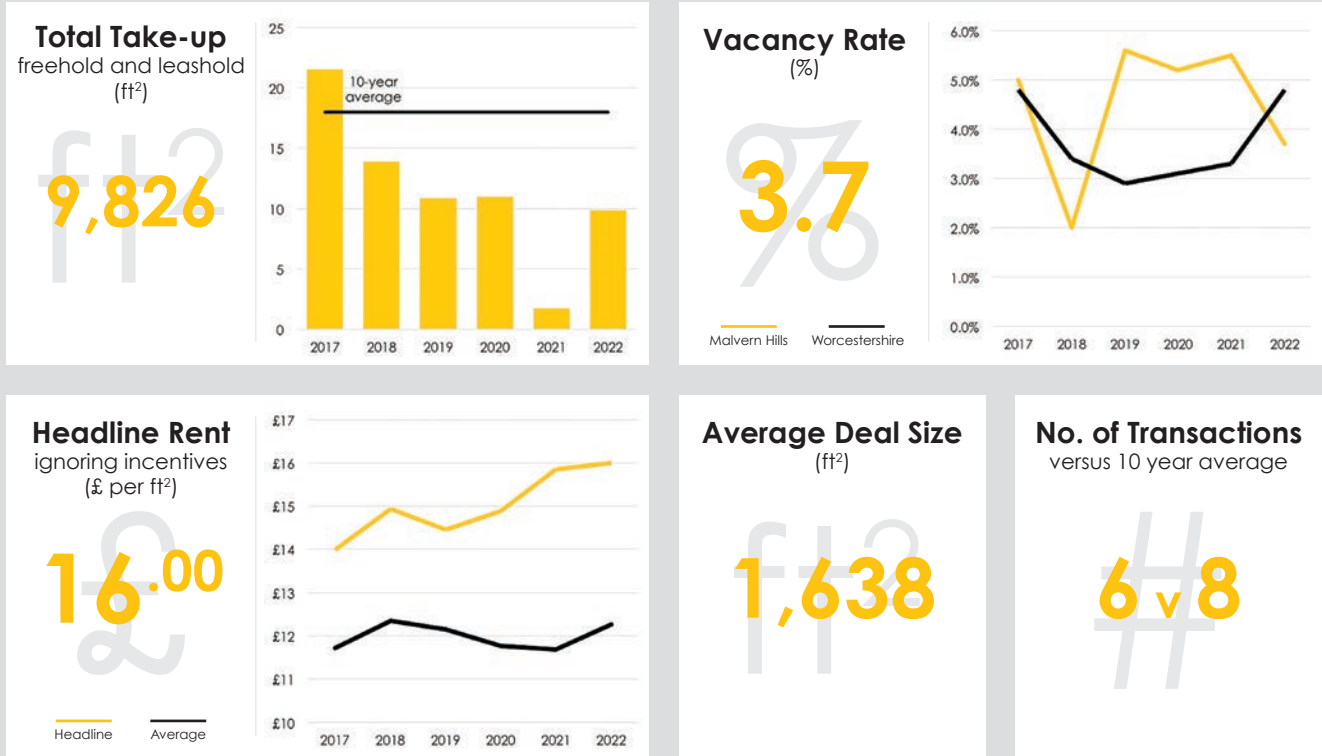
Headline rents increased at a faster rate (4.2%) than average rents (2.3%), which reflects the lettings of prime space at Topaz Business Park. By refurbishing existing space, Landlords can provide higher quality offices closer to Grade A space and capitalise on this increase.

Bromsgrove had the highest percentage of freehold transactions (28%) out of all sub-markets where there were over 10 transactions. We will see going forward whether appetite from owner occupiers will continue as borrowing becomes more costly.

Outlook

Bromsgrove remains popular with SMEs 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 size space for the market. Having good modern office stock should place Bromsgrove in a strong position as we approach changes to EPC regulations.

Malvern Hills



Higher standard accommodation is desperately needed to boost the performance of headline rents in the district. Malvern Hills' focus on attracting tech occupiers could help support an influx of improved space.

Demand

After a shortage of transactions in 2021, take-up is back to being on a par with the 2019 & 2020 levels with the number of transactions being the highest since 2018. With take-up in the Malvern Hills being volatile owing to its limited supply of stock, it is encouraging to see that the market performed well without any large transactions over 5,000 sq ft.

A greater increase in the difference between average rents and headline rents highlights demand from occupiers looking to take most opportunities that become available.

Supply

As transactions conclude at the recently delivered 10,000 sq ft on Enigma Commercial Centre, the vacancy rate in the Malvern Hills has started to fall. It is below the rate for Worcestershire for the first time since 2018.

Better quality accommodation is needed to have a positive impact on headline rents, with the increase of 0.9% being by far the lowest in the county with the second lowest increase being 9.1%.

Rental and Capital Values

Malvern Hills has the joint highest disparity between average and headline rents in the county. This presents an opportunity for average space to be refurbished and bridge the gap, providing accommodation for occupiers who want quality and a better investment premises for Landlords.

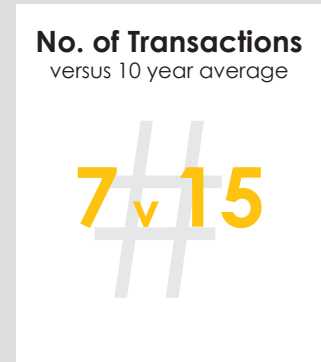
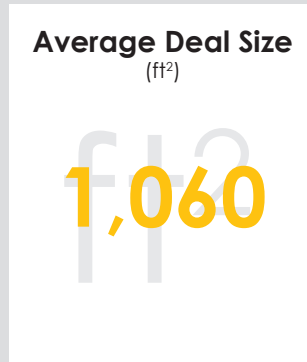
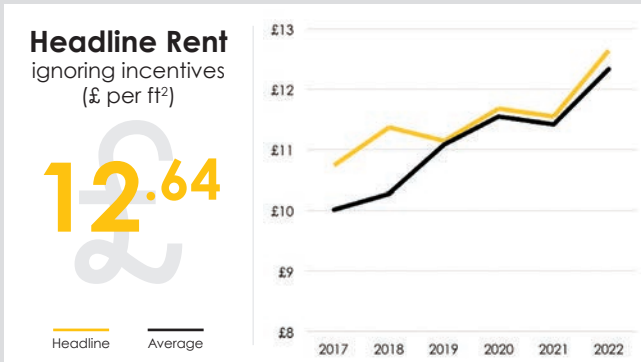
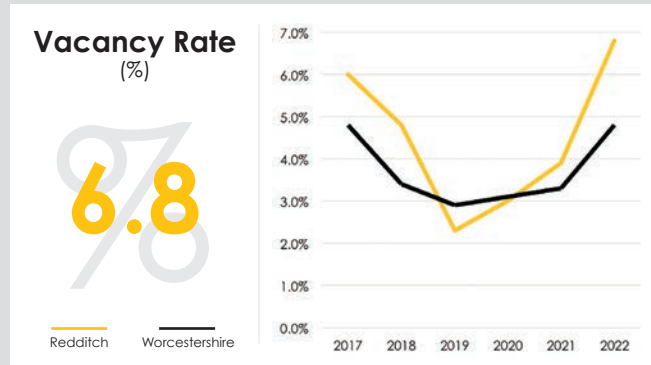
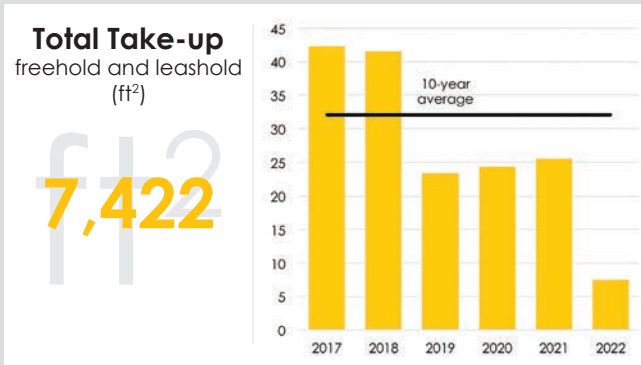
The average sales rate has remained static, indicative of both the limited number of freehold transactions and the increased uncertainty in the freehold market. This will change as new build accommodation is brought forward for sale.

Outlook

Investment in infrastructure and accessibility has meant that the Malvern Hills area is becoming an ever more viable location for office occupiers. This, along with the enriched work life balance that the area offers, presents a good opportunity for investors and occupiers.

Redditch

Redditch



Redditch needs the right kind of space if it is to attract and retain occupiers. With the area offering larger floor plates, Redditch has become a hot spot for larger businesses who want to be located there, so this is an easy win for investors looking to improve returns.

Demand

2022 saw the lowest take-up of office space in Redditch over the past ten years, with annual take up never being below 20,000 sq ft during this time. There has been no let up in demand within the sub-market, but the number of large transactions for which Redditch is well-known has fallen.

In 2021, Redditch had the largest average deal size in the county at 2,537 sq ft and a ten-year average deal size of 2,166 sq ft. This halved to 1,060 sq ft in 2022 reflecting a lack of larger transactions.

Supply

There is a substantial supply of large office space in Redditch, with the sub-market having the highest vacancy rate out of all six regions at 6.8%. Due to demand from Birmingham occupiers looking to relocate to more cost-effective accommodation outside the city, the take up of office space should improve this year thus restoring Redditch's take-up figures.

Owner occupiers still compete with institutional funds so, providing that funding can be sought, freehold opportunities will be popular.

Rental and Capital Values

Both headline and average rents increased in 2022, reflective of the premiums that can be achieved when letting smaller office suites. What remains an issue is the disparity between headline and average rents, which has been negligible for the past four years.

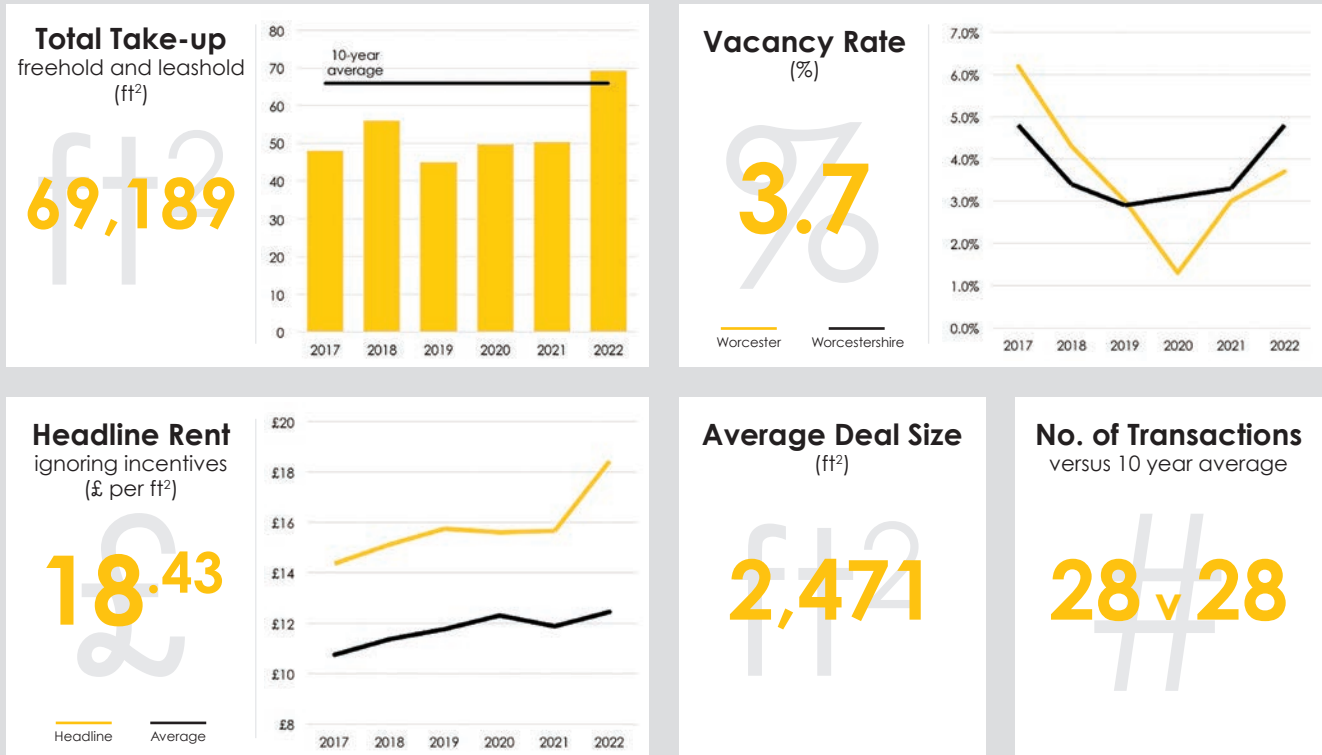
By offering more Grade A space, this gap should increase with headline rents pushing up towards the levels being achieved in neighbouring Bromsgrove. This will also have a positive impact on capital values.

Outlook

There shouldn't be a cause for concern with regards to the historically low take-up levels in Redditch, as larger office space was brought to the market at the end of 2022 which will transact this year. What needs to be looked at is providing higher quality space in the area.

Worcester

Worcester



A shift to providing premium working environments that create a point of difference from the home office has led to strong demand from occupiers wanting to be located in the city.

Demand

Worcester was the only office sub-market to outperform its ten-year average. The number of transactions in 2022 also matched the ten-year average of 28. 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 to.

The average deal size of 2,471 sq ft is distorted by the sale of Oak House, 38,545 sq ft near Junction 6 of the M5 which now provides serviced office space. If this is removed the average deal size falls to 1,135 sq ft.

Outlook

Whilst quality office schemes in the city centre are proving popular, investment needs to be considered at the business parks, where opportunities to refurbish space and improve access to local amenities should attract unrivalled demand from occupiers wishing to be located in the city.

Supply

Across the other five districts the vacancy rate has varied somewhat from the 2021 levels, except in Worcester where it remains within 0.7% of last year's vacancy rate. This illustrates the short turnaround times between space being made available and take-up.

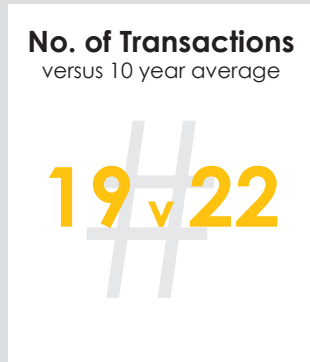
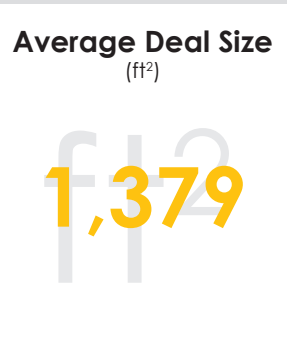
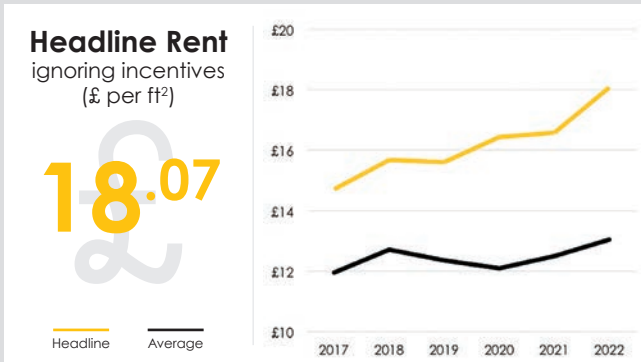
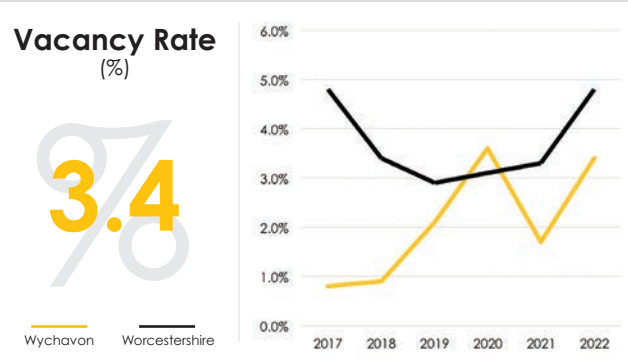
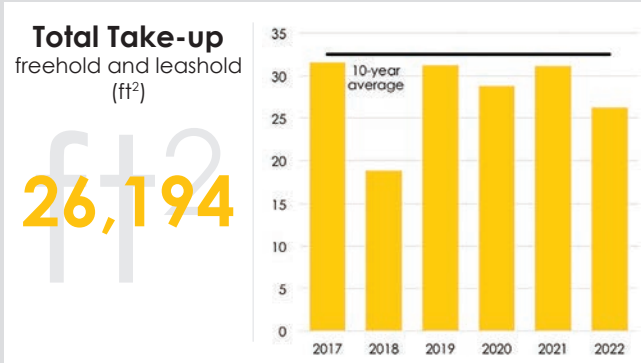
Worcester identified the need to provide quality space and this continues to be supplied, with a headline rent of £20 per sq ft set to be achieved in 2023.

Rental and Capital Values

After the Wyre Forest, Worcester saw the second largest increase in headline rents compared to the previous year at +17.8%. The headline rent was set at the Porcelain Works office space, however Worcester boasts a depth of exceptional office with new Grade A accommodation coming in 2023.

Freehold opportunities remain scarce however we are sure that capital values could be pushed higher should space at these new developments be made available to purchase.

Wychavon



Wychavon's consistent performance has been supported by the popularity of its business parks. As occupiers seek to create an office environment that differs from remote working, this provides opportunities to promote space in the region's towns.

Demand

Take-up in 2022 was consistent with the previous ten years, with a stellar performance in 2015 setting the bar for the ten-year average. 2022 also saw consistency with the number of transactions, at 19 against a ten-year average of 22. This shows a resilience to the pandemic and exemplifies both Wychavon's unique rural offering and its ability to offer an attractive working environment.

Out of the 19 transactions, 18 were in the sub 2,500 sq ft market, showing the demand in the district from SME occupiers.

Supply

Wychavon had the lowest percentage of freehold transactions out of any sub-market at 5%. This has been consistently low with the percentage over the last ten years being 11%. This is surprising given the number of quality small to medium offices on business parks within the region's towns.

The supply of freehold premises could be addressed by offering larger space for businesses that occupy multiple units to move to, releasing opportunities for the market.

Rental and Capital Values

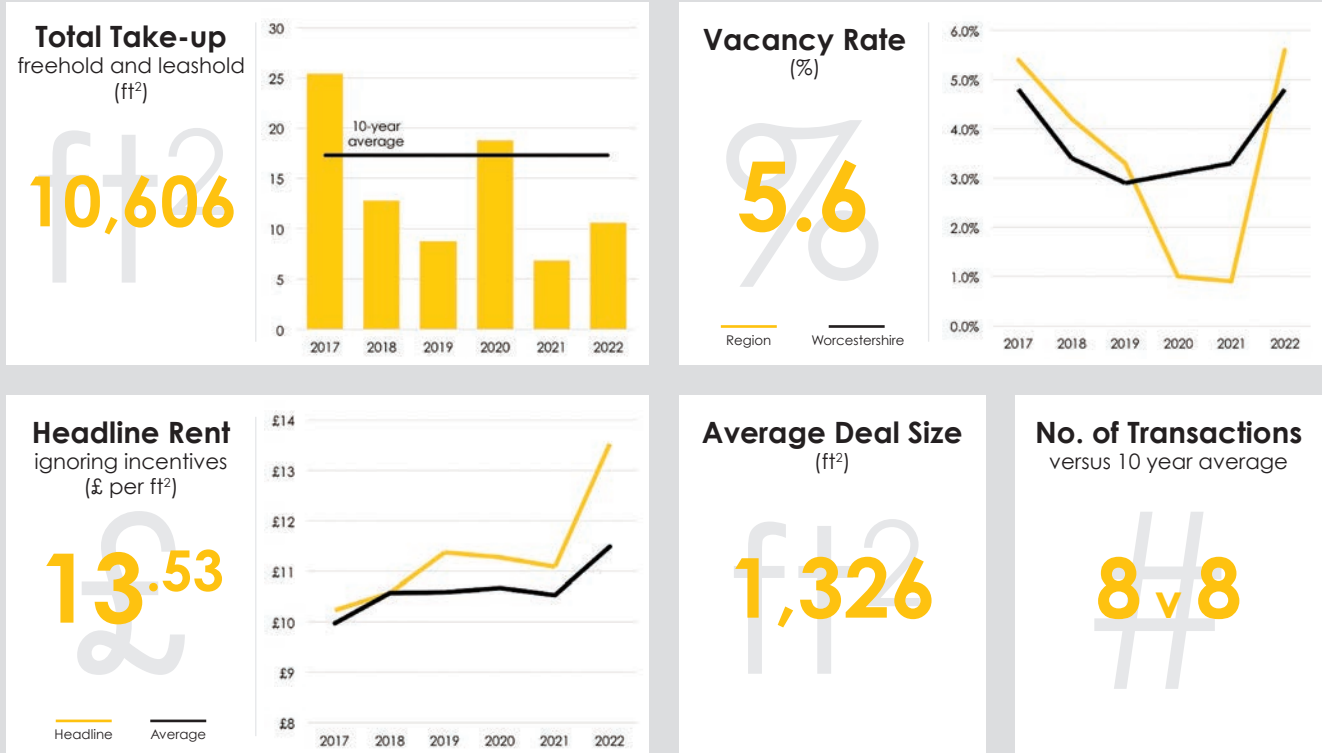
2022 saw good levels of rental growth within the sector, which links strongly to the consistent demand levels. There will be opportunities to increase this further by utilising the demand seen around Wychavon's transport links and capitalising on the shift in trends toward occupiers wanting to be near local amenities.

Capital growth also remains good, despite economic uncertainty, which is reflective of the limited opportunities in the freehold market.

Outlook

As well as having good transport connections, Wychavon has a number of thriving market towns. As occupiers look to create attractive working environments, space in these towns could be utilised to provide premium office accommodation which would be surrounded by local, independent amenities.

Wyre Forest



“Quirky” office space is in demand as employers try to adapt their working environments to attract and retain staff. With its impressive former manufacturing buildings, there are plenty of opportunities to offer this type of space in the Wyre Forest.

Demand

Take-up in the Wyre Forest improved on 2019 and 2021 levels, however it remains some way off its ten-year average. 39% of the space that was transacted comprised the sale of 4,092 sq ft at Europa House. This shows the impact a large transaction can have on what is a relatively small sub-market by way of total stock size.

It is encouraging to see the number of transaction (8 – which is the highest since 2017) and how this is on par with the ten-year average of 8 per year.

Supply

The vacancy rate jumped dramatically from 0.9% in 2021 to 5.6% in 2022, which shows the increase in space available, particularly along the Stourport Road. However, this space comprises quality accommodation, which will have a positive impact on values.

The repurposing of former manufacturing space also offers the chance to improve the supply of quality and creative office accommodation, creating that much coveted unique working environment.

Rental and Capital Values

Owing to a number of small lettings of quality space in the town centre, headline rents rose by 22%, the largest increase of any sub-market. There was also a good increase in average rental values which would have partly been because of the previously low vacancy rate and shortage of space.

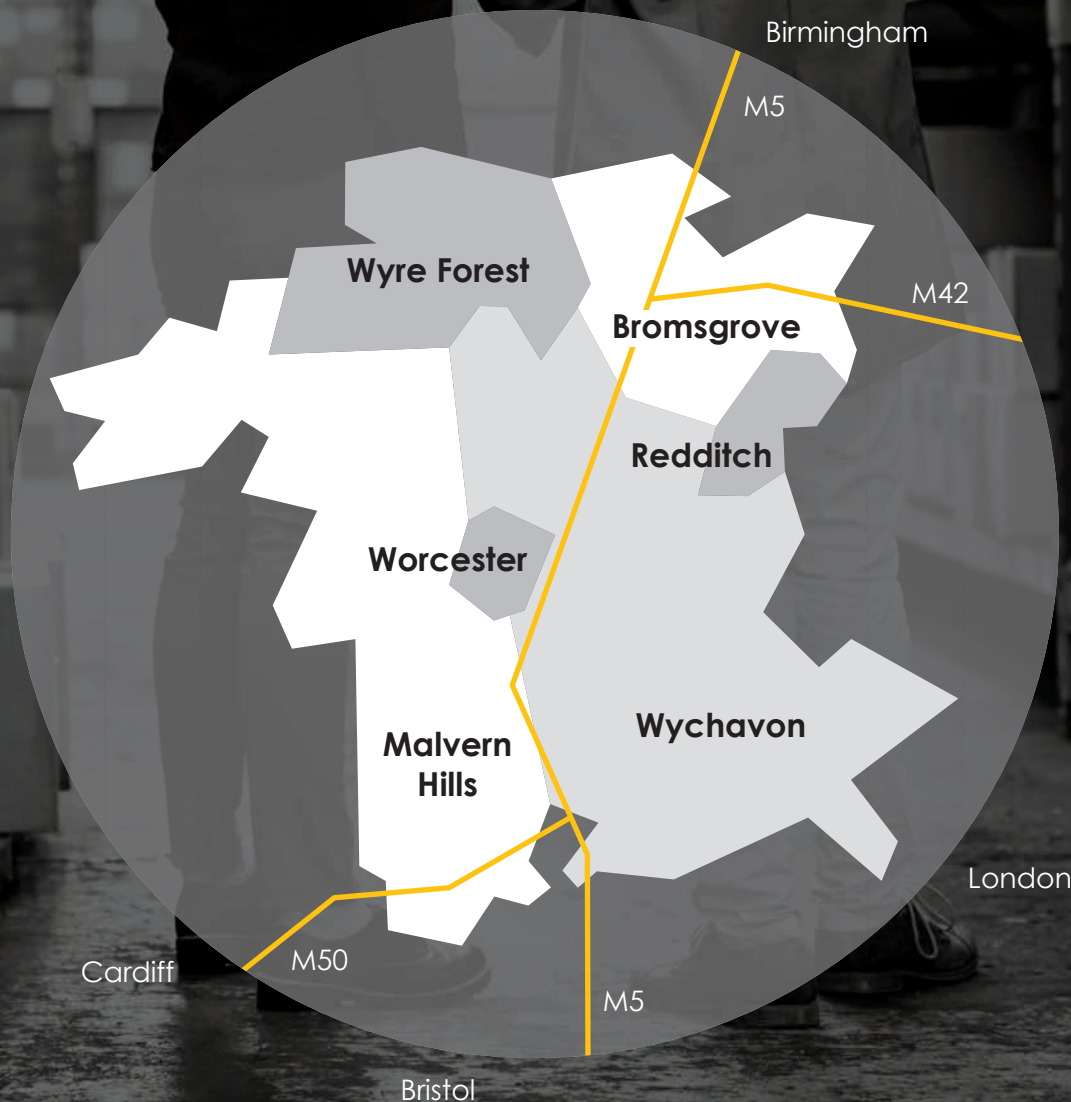
The sale of Europa House helped move capital values along, and attests to the quality of this space and lack of freehold opportunities – with there only being 13 sales recorded in the past ten years.

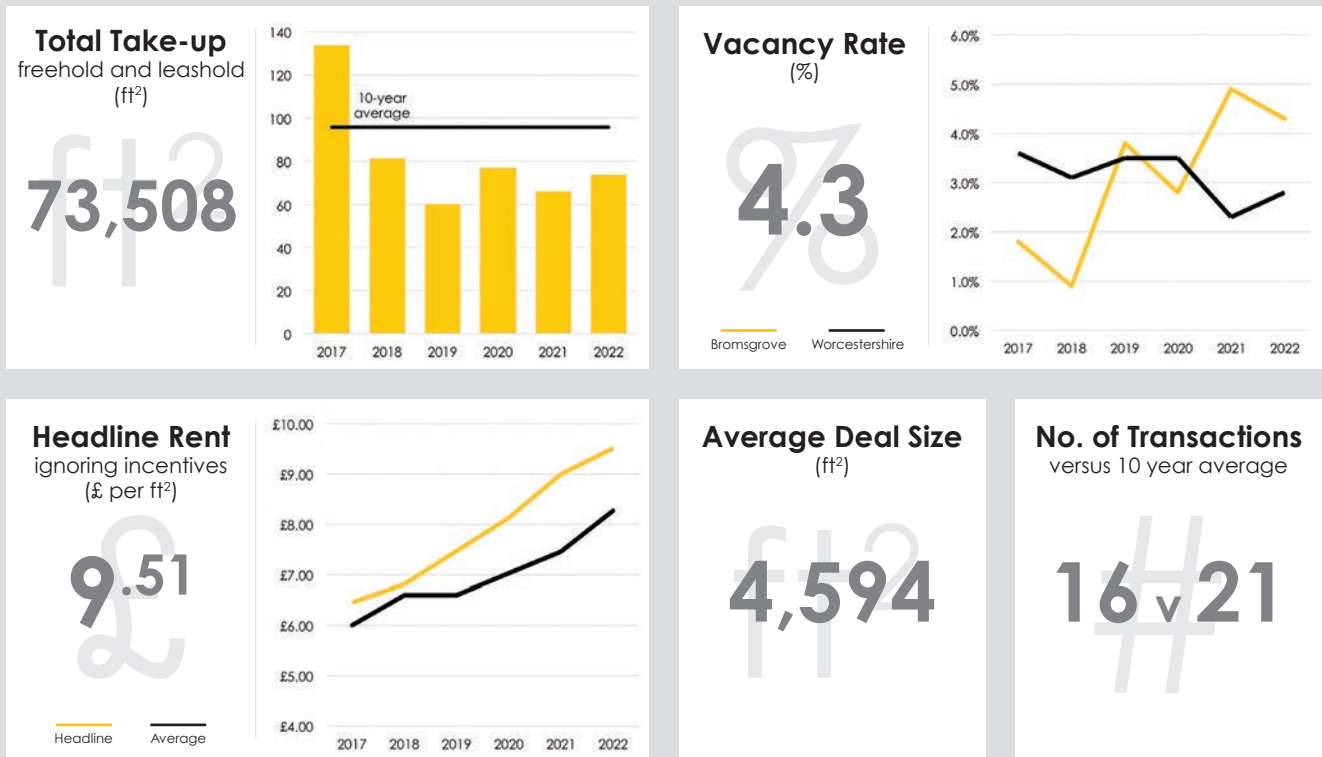
Outlook

Last year's all-time low vacancy rate shows the demand from office occupiers wanting to be located in the Wyre Forest. This has risen as space has been added to this small office market, however we predict that it will fall again as quality space becomes sought after.

Industrial Sub-Markets 2022

	Total Take-Up (ft ²)	Vacancy Rate	Avg. Deal Size (ft ²)
Bromsgrove	73,508	4.3%	4,594
Malvern Hills	92,728	7.0%	13,247
Redditch	468,147	2.7%	18,006
Worcester	56,481	4.5%	5,648
Wychavon	212,236	2.2%	5,442
Wyre Forest	192,082	3.0%	11,299





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.

Demand

Take-up has been pretty consistent over the past five years, with only a circa 20,000 sq ft variation in demand over this time. The number of transactions in 2022 was also consistent with the five-year average, however less in comparison to the previous ten years. The submarket also saw the smallest variance in average deal size compared to the year before.

Freehold transactions were at their lowest level by number of deals done since 2010. This is reflective of the recent market instability and shortage of supply to this market.

Supply

Bromsgrove has the lowest average deal size of all regions, showing the demand from SME businesses and the space that has been made available to them. New developments are being bought forward to continue catering for this market. This includes Phase 2 of Sapphire Court, which will provide newly built accommodation between 1,000 and 7,000 sq ft.

Freehold opportunities still come to the market and once the market stabilises, will prove popular again.

Rental and Capital Values

There was a 5.9% increase in headline rents in 2022, with a new high of £9.51 per sq ft being set. This is due to the influx of modern space coming to the market, via either new developments or the high end refurbishment of existing units.

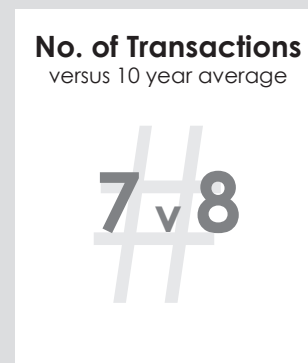
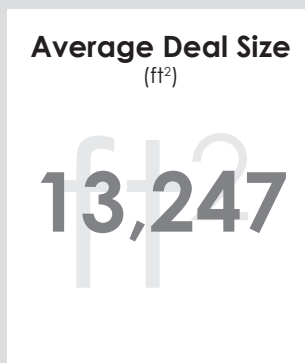
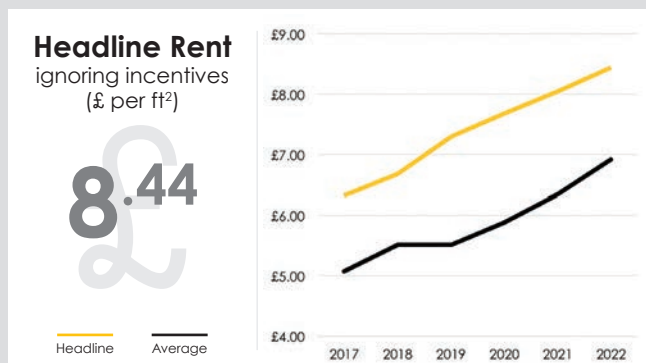
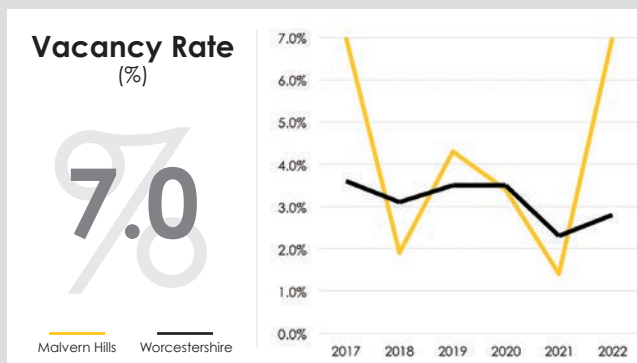
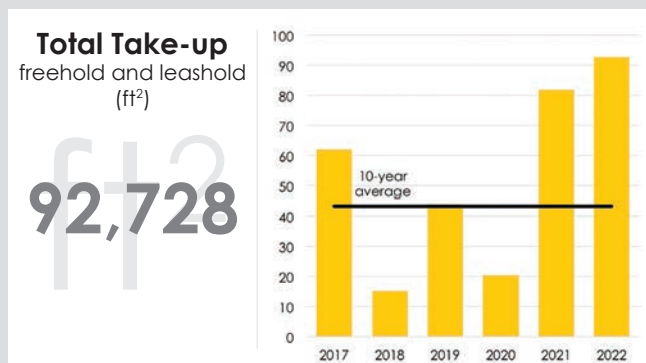
Capital values will most likely stabilise following a period of high growth; however the shortage of freehold opportunities should mean there isn't a decrease.

Outlook

Quality accommodation is transacting well with new developments set to be delivered in 2023 at Sapphire Court and on Buntsford Hill. We expect the headline rent of 2022 to be surpassed as this new space becomes let. Despite economic uncertainty, the freehold market will remain strong as it begins to stabilise and these opportunities remain scarce.

Malvern Hills

Malvern Hills



Improved infrastructure is opening the Malvern Hills up to new occupiers. New space needs to continue to be a priority, particularly when looking to cater for the SME market and tech occupiers.

Demand

In 2022, take-up was over double the ten-year average at in excess of 90,000 sq ft. This was due to the two large transactions at Broomhall Business Centre, where 30,000 sq ft and 40,000 sq ft let at the new business park which falls just inside the Malvern Hills catchment.

These two lettings also caused the average deal size to double. However, if they are removed, demand still remains high, with the number of transactions in the calendar year being close to the ten-year average.

Supply

If the two lettings over 30,000 sq ft are removed, the average deal size falls to 3,653 sq ft. This market needs to be catered for with smaller to medium sized units required. A planning application on Chequers Close, Enigma Business Park was approved in 2022 and will provide five quality light industrial units, which should prove popular given demand for this asset type.

The jump in vacancy rate is reflective of the delivery of space at Broomhall.

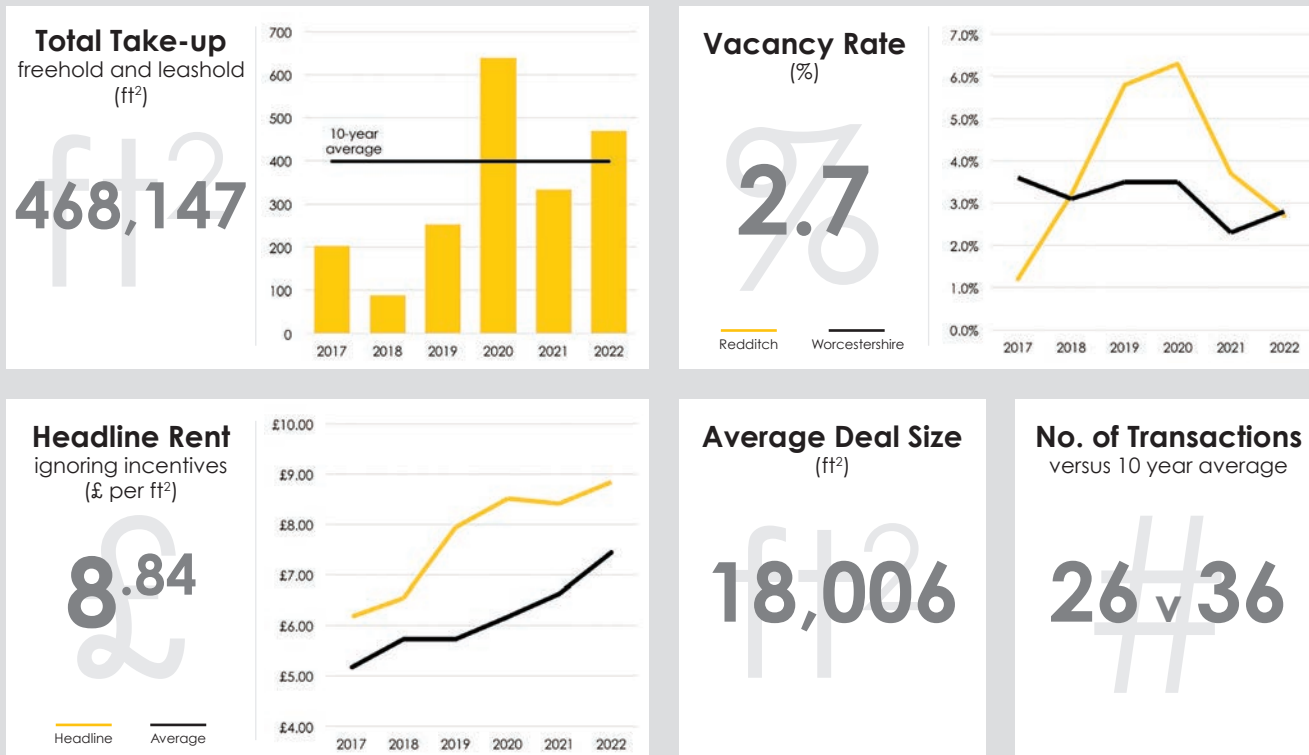
Rental and Capital Values

Headline rents have been set to their highest levels ever, however average rents are also increasing at a similar rate. This was shown with a recent letting on Britannia Business Centre, illustrating the demand for space and shortage of units.

Capital values were boosted by the sale of a brand new 2,131 sq ft unit on the Leigh Sinton Road where £143 per sq ft was achieved.

Outlook

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 the Malvern Hills as the tech hub for Worcestershire.



The delivering of newly built developments has helped raise the standard of space. As development land becomes scarce, existing stock will need to be refurbished which will help in meeting energy performance regulations.

Demand

In 2022, take-up exceeded the ten-year average for only the second time in the past five years, with 2020 being the last time that this happened. If the 2020 letting of 350,000 sq ft to Amazon is removed, transactional volumes were at their highest since 2014.

Notable lettings include two units on the recently developed Velocity 42 scheme, which included the 80,000 sq ft letting to Lounge Underwear and 45,000 sq ft letting to RK Brands.

Supply

Redditch has amongst the lowest vacancy rates within the county, with the volume transacted in 2022 causing it to fall below the average rate for Worcestershire for the first time since 2018. Schemes such as Velocity 42, Crescent Trade Park and Enfield Industrial Estate have now been completed, so new developments need to be brought forward to help cater for continued demand.

These developments don't need to be newly built schemes and could be the refurbishment of existing space.

Rental and Capital Values

After a period of stagnation between 2019 and 2021, headline rents increased by 5.0% in 2022, which is largely affected by the completion of new build developments. Average rents increased by 12.2%, showing the competition for space in what is a popular industrial market.

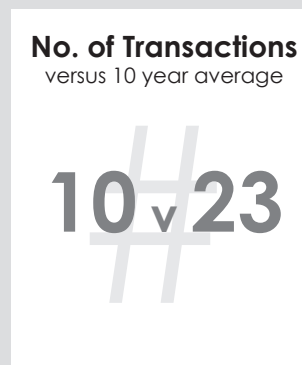
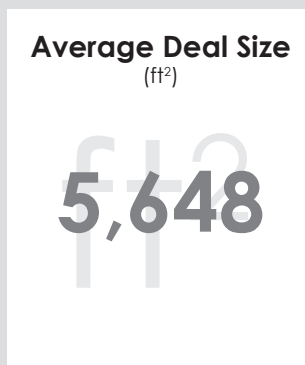
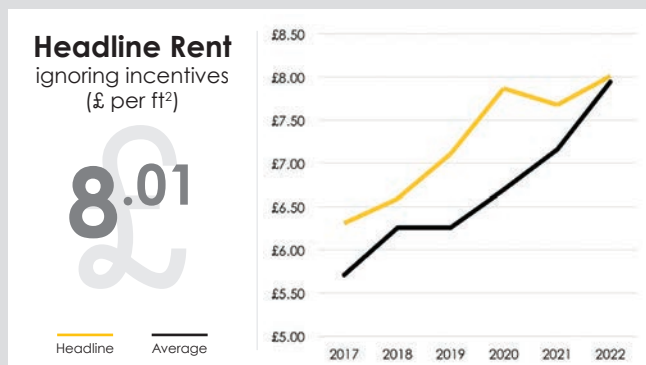
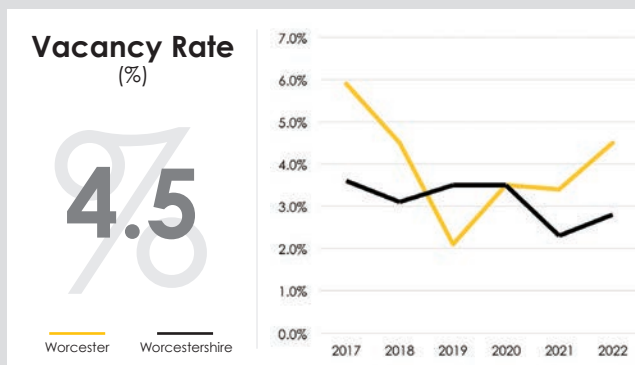
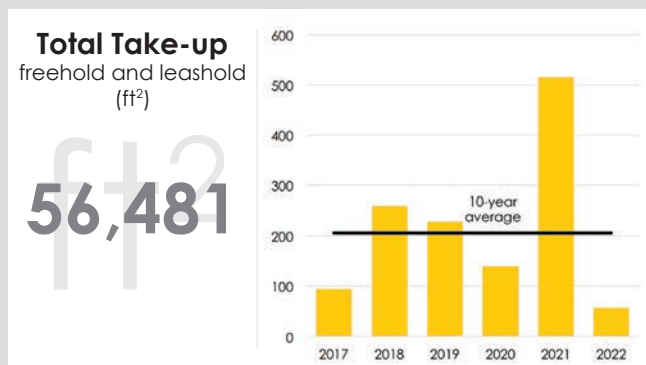
Capital values have remained static owing to the sale of two large assets, 23,000 sq ft and 55,000 sq ft, where a discount for quantum would have an impact on the sales rate per sq ft.

Outlook

There is good momentum within the 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 continue to be made available to occupiers across all size categories, both with new schemes and the refurbishment of dated stock.

Worcester

Worcester



The availability of space has impacted recent take-up values and can be addressed by providing quality new schemes across the market. This should come in the form of refurbished existing accommodation as new regulations need to be met.

Demand

2022 take-up in the Worcester industrial sector and the number of transactions per annum was the lowest since our records began in 2009. This is owing to the limited number of transactions, with the difference against the ten-year average being below half.

There were no recorded deals at the business parks around Junction 6 of the M5 Motorway, which can have a big difference given the size of the industrial stock in that area.

Supply

There is limited availability across all size categories, with space at Woodside Park being the only large existing property on the market. The availability data is skewed as schemes such as Worcester Six and Broomhall Business Centre are bordering the city, however this hasn't impacted the submarket in the past when more space was on the market.

There are no new build or high quality small unit industrial schemes on the market, which presents a huge opportunity.

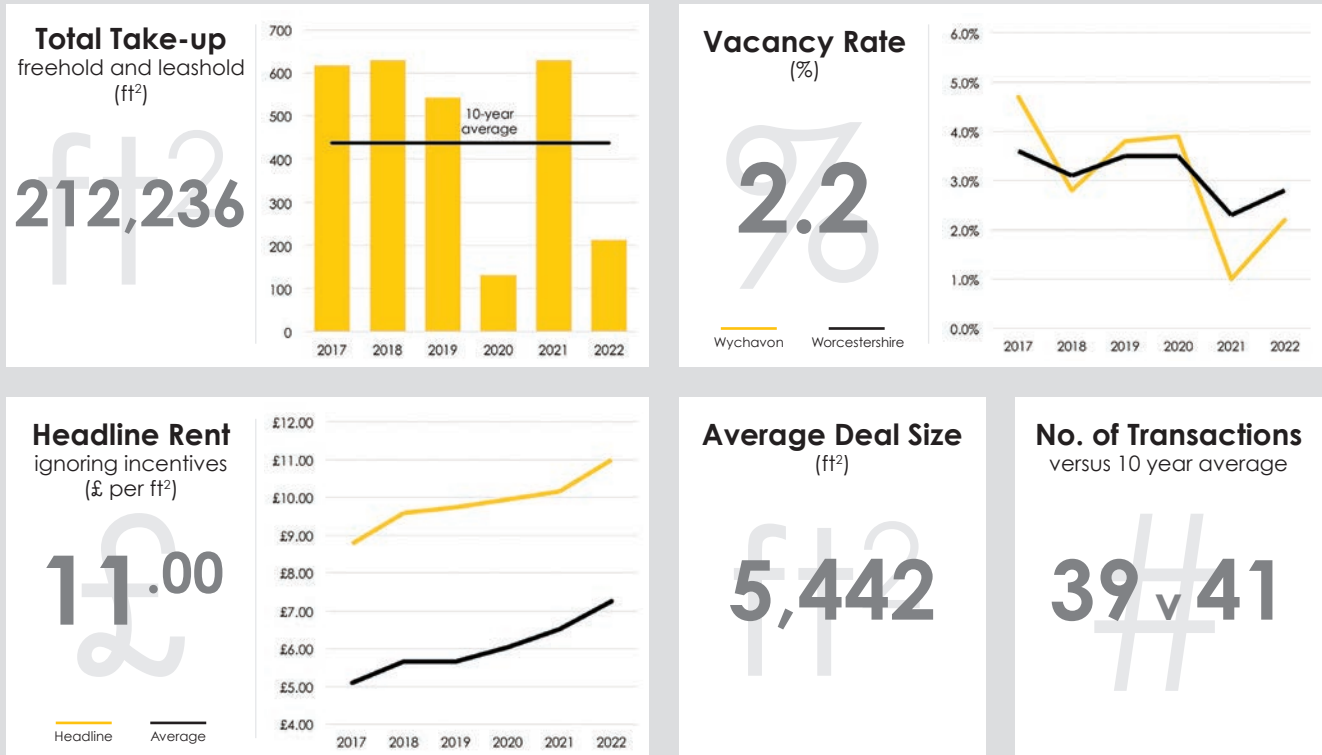
Rental and Capital Values

Worcester experienced the lowest rental growth out of all submarkets, owing to the lack of transactions of quality space in 2022. The gap between headline and average rents has decreased to almost nothing and average rents are the second highest within the county, showing the need to provide new or refurbished space as dated accommodation becomes the only option for occupiers.

Capital values were stifled as the only freehold transaction was the sale of 5,895 sq ft of dated accommodation in Worcester city centre.

Outlook

2022 saw the lowest number of transactions in the sub 10,000 sq ft market ever within Worcester. The city therefore needs to focus on providing space for the SME market, which would also get great benefit from being near an accessible workforce.



Last year we spoke about continuing the momentum delivered by the new developments and how refurbishing existing stock makes more opportunities available. Regulation change in 2023 could be the catalyst to action this.

Demand

In 2022, take-up fell by 66% with the average deal size falling by 56%. This is down to the lack of transactions at game-changer schemes and established industrial estates. As space is delivered at Worcester Six and Vale Business Park in Evesham, this will change the take-up and deal size figures in 2023.

Demand is still strong in the region, as shown by the high number of transactions (which at 39 were the highest in the county) against the ten-year average (41 transaction per year) – with 39 / 41 being the smallest margin within Worcestershire.

Supply

Although the vacancy rate is currently the lowest in the county, supply levels will be boosted as further phases of the game changer sites are bought forward. These will however comprise large units and the supply of smaller properties needs to be supported, with the success of Salwarpe Business Park and the small units on Beech Drive at Hartlebury Trading Estate being testament to this.

Rental and Capital Values

An incredible headline rent of £11.00 per sq ft was achieved at Salwarpe Business Park, which illustrates the demand and needed supply of these types of schemes. Average rents were also strong, being over £7.00 per sq ft for the first time ever.

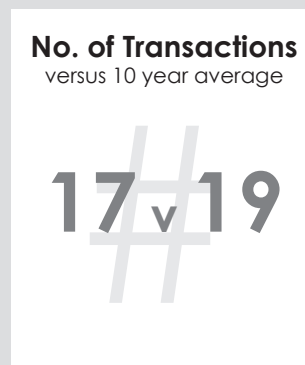
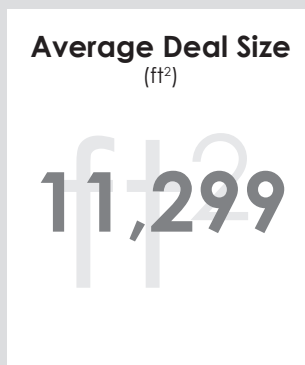
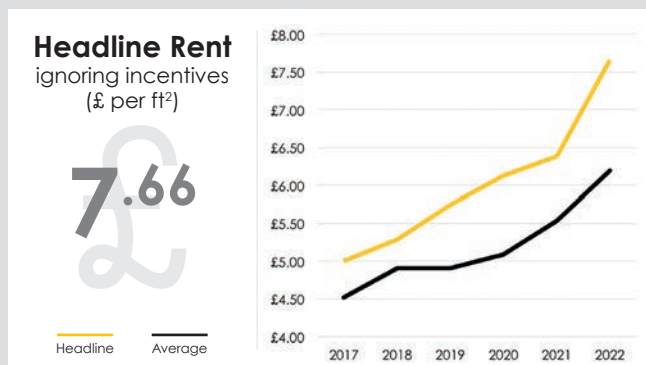
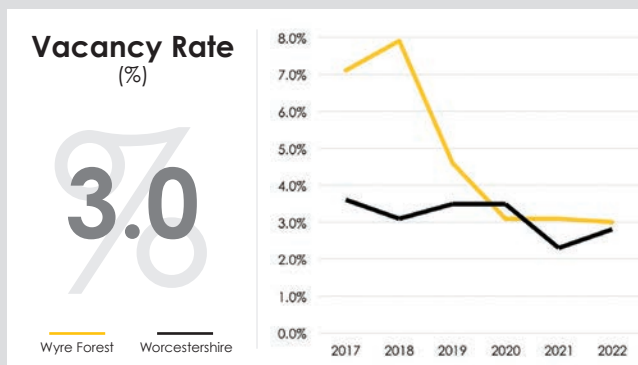
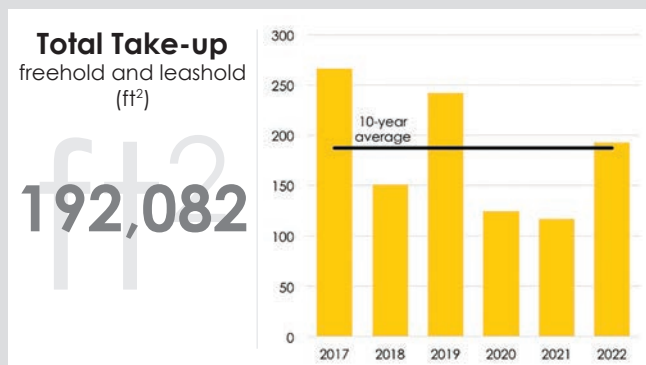
In a similar trend to rents, capital values are also at an all time high as freehold space was made available at newly built developments.

Outlook

The newly built schemes within Wychavon have proved to be very successful, with the popularity of developments offering smaller units meaning the number of transactions provide a much better barometer than take-up. As developments such as The Potter Space just outside Droitwich and others complete, the region is expected to continue performing well.

Wyre Forest

Wyre Forest



By offering quality freehold and leasehold space, significant investment has been made in the district with businesses relocating there from neighbouring areas. There will be further opportunity to do this as obsolete stock needs to be modernised.

Demand

The Wyre Forest area experienced the highest increase in take-up in 2022, up by 64% to 192,082 sq ft. This led to a performance that was in line with the ten-year average.

The statistics behind this strong level of take-up are encouraging, with five of the 17 transactions being freehold sales, offering opportunities for owner occupiers looking to acquire space for their business. There was also an even spread over all size categories, with eight transactions being in the sub 5,000 sq ft market, five in the 5,001 to 10,000 sq ft market and four over 10,000 sq ft.

Supply

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 be highly sought after.

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 large accommodation for businesses looking to move out of the Black Country and into a less congested and more affordable area.

Rental and Capital Values

Headline rents increased by 20% in 2022, owing to the completion and transactions at Forest Industrial Park. This shows how much of a positive impact building quality speculative units can have on demand, and it was great to see this scheme being local authority led.

The acquisition of dated space at Vale Industrial Estate, just off the Stourport Road, led to average capital values falling. However the low price of these assets could provide opportunity for investors looking to add value to their investments.

Outlook

The Wyre Forest industrial market has improved the most out of all districts over the past five years. Whilst it is good to see that quality smaller unit schemes are being provided, there could now be the opportunity to offer larger developments. These will provide a sustainable growth option for businesses in the area.



The Importance of Reinstatement Cost Assessments

A recent survey by insurance broker Gallagher found that 43% of commercial properties in the UK are currently underinsured.

The study, conducted among business owners and commercial property claims managers, also found that businesses that have not reviewed their insurance could be liable for over 40% of the value of repairs or rebuilds due to underinsurance.

It is for these reasons that we recommend that commercial property owners have a reinstatement costs assessment (RCA). This helps to determine the cost of rebuilding or repairing a property in the event of damage or destruction.

Size matters

The assessment considers factors such as the size and complexity of the building, the material used in its construction, and local building codes and regulations. Without an accurate assessment there is a risk that the property won't be sufficiently covered in the event of an incident. We also take into account features such as landscaping and other outdoor structures as they need to be included in the event of a claim.

Climate change

The UK is more at risk from climate change than it was 10 years ago. According to Aviva's recent flood map data, almost 1 in 3 commercial properties are at risk from some type of flooding.

A Chartered Surveyor would be in a position to advise you on your level of risk and what can be done in order to help minimise damage.

When buildings are under insured, insurance companies will only pay out on a pro-rata basis

The dangers of being underinsured

When buildings are under insured, insurance companies will only pay out on a pro-rata basis. This means if they are under-insured by 45%, then any claim will be reduced by the same amount. This will leave organisations struggling to make up the shortfall and may be the difference between business survival and failure.

How often should an RCA be carried out?

We recommend that a complete RCA is carried out every three years and



ADVICE

Mike Sutton

Director of Commercial Building Surveying

The Commercial Building Surveying team is led by Mike Sutton, a Chartered Building Surveyor with extensive experience within the property and construction sector.

The team has been involved in a variety of building survey projects in Worcestershire and the wider West Midlands area and they are fast developing a reputation for their expertise in carrying out commercial building surveys, schedules of condition and dilapidations surveys.

For further information contact Mike Sutton on **01905 676169** or mikesutton@gjsdillon.co.uk

updates made on an annual basis. This will allow for any adjustment to be made, for example if the building is extended and to account for any increase in the cost of labour and materials.

Act now to beat deadline on Minimum Energy Efficiency Standards (MEES)

From April 2023, UK commercial property Landlords will not be able to extend a lease or issue a new one to a tenant if their property has an energy performance certificate (EPC) rating lower than E. Fines for non-compliance with the new MEES rules can be as much as £150,000.

And it doesn't stop there. Commercial properties have to achieve a C rating by 2027 and a B by 2030. So what do commercial property owners need to do in order to meet these targets?

The first steps for Landlords would be to review the current EPC rating on their property and specifically the Recommendations Report. This will help to establish priorities for any work that needs to be carried out. It is also a good idea to check the lease to ensure that it makes an allowance for improvements to be made. Some of the cost of the work that needs to be carried out can then potentially be passed on to the tenant.



When it comes to improving the energy efficiency of a building, there are specific areas that need to be focused on including.

Structure

Complete alteration of the building is unrealistic but if there are gaps in the structure of the building these need to be filled. If insulation has already been used, for example in roofs, then this can be replaced with that of better quality material where possible.

Windows and glazing

If double glazing is not already installed then undertake this as a priority. An assessor will enable you to establish where the leaks are around the doors and windows so these can be fixed.

Energy

Heating, ventilation and air conditioning is often the largest consumer of energy in a building. Improvements can be made by ensuring that the temperature and timing controls are operating at optimum levels. Insulating your walls can reduce your EPC rating significantly, making sure no energy is lost.

Lighting

One of the quickest ways to improve your EPC is by switching to energy-efficient lighting. LED is the best option and timer and motion sensors can help to cut down usage.

These are just some of the actions that commercial landlords and owners can take to reduce their EPC rating.

Commercial Building Surveying



- ▼ Dilapidations
- ▼ Schedules of Condition
- ▼ Reinstatement Cost Assessments
- ▼ Pre-acquisition Surveys
- ▼ Detailed Building Surveys
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Talk to Mike Sutton and the Commercial Building Surveying team

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