




Worcestershire Commercial Property **Market Report 2024**



Regional insights for office and industrial markets

Analysis of the current
market and key trends

Advice and guidance
on property issues



Worcestershire
Local Enterprise Partnership

GJS | Dillon

The Commercial Property Consultants



Worcestershire Commercial Property Market Report 2024



FOREWORD

John Dillon
Managing Director
GJS Dillon

Looking back over the last twelve months, it has been a year of two halves. The first six months of the year were dominated by the now infamous Liz Truss Budget in September 2022, which forced up interest rates and put the brakes on some of our freehold offers and leasehold sales in the County.

By the middle of the year, the media started talking about the Government's plan to curb inflation and the likely downward effect on interest rates and enquiry levels pushed up once again. Coupled with this, the Government announced changes to the pension fund rules and we find ourselves back on familiar territory with demand for freehold office and industrial accommodation in our County far exceeding supply!

The office and industrial rental markets, as you will read in this report, have been flat out all year with rents still rising again off the back of a shortage of top-quality Grade A office accommodation and continued unprecedented demand for small, medium, and large industrial units throughout the region.

Our entire team here at GJS Dillon live in the County and we are proud to be an integral part of the business community. As the only dedicated Worcestershire Commercial Property Consultancy, we know that we need to look after our local businesses. Our goal for 2024 and beyond is to push for the public and private sectors to deliver new commercial buildings for expanding and start-up businesses.

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 Increased spotlight on rental properties as buying proves challenging
- 2 Office take-up increased by +21% on the previous year
- 3 Industrial take-up unmoved with demand still outstripping supply
- 4 Office headline rents up +6.9% average rents up +2.0%
- 5 Industrial headline rents up +13.2% average rents up +7.6%

A connected, creative, dynamic economy for all

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.

The Worcestershire Plan for Growth 2020-2040 is the economic strategy for the county. Within the strategy there is a recognition that, based on feedback from the business community, commercial space is available in the county but also can act as a brake on economic growth.

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 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.

Also, similar funding supported 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 at Bromsgrove.



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. To add to IONOS, one of the largest European-based data hosting companies and Alliance Flooring of Victoria PLC recent announcements have seen Bidfood International and Sierra CP Engineering Ltd and it was also announced that the Worcester Six Business Park would be expanded by a further phase creating 680,000 sq ft of floorspace.

Redditch Gateway

The Redditch Gateway site received approval for the development of the south site, creating 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.

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.



Innovation Support

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 ground-breaking technology products and services, accelerating them to grow and be market ready.

The BetaDen team have now successfully delivered 6 cohorts and the team are 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.



Discover more about the 5G testbed and how it could be used with your business
www.wlep.co.uk/current-projects/worcestershire-5g
To find out more about BetaDen, visit
www.beta-den.com

Improving Connectivity

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

Over the past year alone, several schemes to improve travel times and options have been complete. Examples like improvements to the A38 in Bromsgrove, Worcestershire Parkway station are helping to ease congestion and make journey times more reliable.

78% of premises in Worcestershire have gigabit coverage

In late 2023, Worcestershire has seen much investment from the private sector in Gigabit connectivity. This has

improved by 23%, meaning now 78% of premises have gigabit coverage. (www.thinkbroadband.com)

According to the website www.signalchecker.co.uk, Worcestershire is ranked 24th best for mobile coverage in the UK, out of 96 areas, three places higher than last year.

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 Apprenticeships web platform www.worcsapprenticeships.org.uk which provides information advice and guidance for employers and those looking for a vacancy as an apprentice in Worcestershire.

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



WORCESTERSHIRE
GROWTH HUB

The place where entrepreneurs, managers and business owners can find all they need in relation to advice, information and guidance to support their business growth.

Dilapidations Disputes

What is a Schedule of Condition and how can it help you avoid costly problems

A schedule of condition is generally undertaken by a qualified building surveyor and is an accurate record of the state and condition of the demise of the property, typically appended to the lease to limit the tenant's repairing obligations prior to lease commencement. It is retained for future use and acts as proof of the previous condition of the premises, at that point in time.

Photographic Schedule of Condition

This is prepared in a simple format and is a photographic record of the property's condition. Although this method is cost-effective, it can have limitations, unless carefully worded to include areas not shown in the photo. This type of schedule may not document issues such as dampness, movement, leaks, or the extent of specific defects.

Full Schedule of Condition

To accurately record all aspects of a property, a full schedule of condition is recommended. This includes both text and photographs, together with a general description of a property and a detailed tabular schedule. The schedule documents the form of construction and condition of each building element, supported by a photographic record as evidence.

Extra Information

Sometimes a video of the property is included in a full schedule. This provides evidence of certain defects, for example, to illustrate loose fixings, leaking pipes, loose cladding, etc.

To accurately record all aspects of a property, a full SoC is recommended

Specialist information can also be included to fully record a building's condition. This could include, for example, a CCTV survey of the underground drains, an electrical test report (EICR) of the electrical system, or an engineer's report on any lift.

A typical schedule of condition contains:

- Good quality, detailed photographs of the whole property
- Some commentary to accompany the photographs
- A general description of the condition and fabric of the property
- Plans showing the extent of the property
- A note of the date the photographs were taken

Bird's Eye View

To accurately record the roofs and upper elevations of a property, a mobile elevated work platform (cherry picker) can be used. This allows detailed access to roof areas including a high-level view down onto roofs and a close-up of specific issues. Where there is limited access, detailed views of a property can also be gained by using drone footage and elevational pole photography. It is essential to view a roof close hand as roofs are often one of the main liabilities under a lease.



ADVICE

Rob Cant

Associate Director of
Commercial Building
Surveying

Rob has over 25 years' experience as a Building Surveyor. He has a wealth of experience in building surveying in the commercial and retail sectors and is well-placed to provide owners, investors and occupiers with expert advice on

maximising the safety and long-term value of their commercial properties.

For further information contact Rob and his team on **01905 676169** or robertcant@gjsdillon.co.uk



LEGAL EXPERTISE

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When a Landlord and Tenant agree Heads of Terms for a new Lease, one of the major considerations will be the state and condition of the Property. The parties need to understand between themselves what is expected of each of them during the term in relation to the repair, maintenance and upkeep of the property.

Most Leases are typically drawn on an FRI basis which means that they are fully repairing and insuring. The Tenant assumes responsibility for the repair of the Property and the cost of the insurance. What can sometimes be misunderstood is that a full repair covenant involves putting and keeping the Property in a state of good repair and condition and that liability to put the Property in repair can and will include making sure that the Property is improved where it falls below the standard of good repair and condition.

This may be the intention of the parties and it may be reflected in rent free periods and/or other commercial arrangements

between them but a Tenant should not sleepwalk into this obligation. If it is not the intention that the Tenant should improve the Property then it is common nowadays for the parties to agree to incorporate a schedule of condition into the Lease which effectively serves as evidence of the state of the Property at a point in time. The repair covenant is then qualified by reference to that schedule of condition.

It is for this reason that it is important that any schedule of condition is good strong evidence of the property at a particular point in time and it is useful if that schedule of condition is prepared by a qualified building surveyor who is able to identify issues at the Property which could affect the Property or be costly to repair. Once prepared, the schedule of condition must be agreed by both parties and accepted as clear evidence of the state of the Property at that point in time.

Once agreed and signed by both parties it is fully appended to the Lease.

This schedule of condition is most useful when a Lease term comes to an end and the discussion around dilapidations liability arises. Any agreement on dilapidations should have reference to that schedule of condition in order that the parties can accurately determine the extent of the liability of the tenant by looking back and understanding what the Property looked like at the time at which occupation took place.



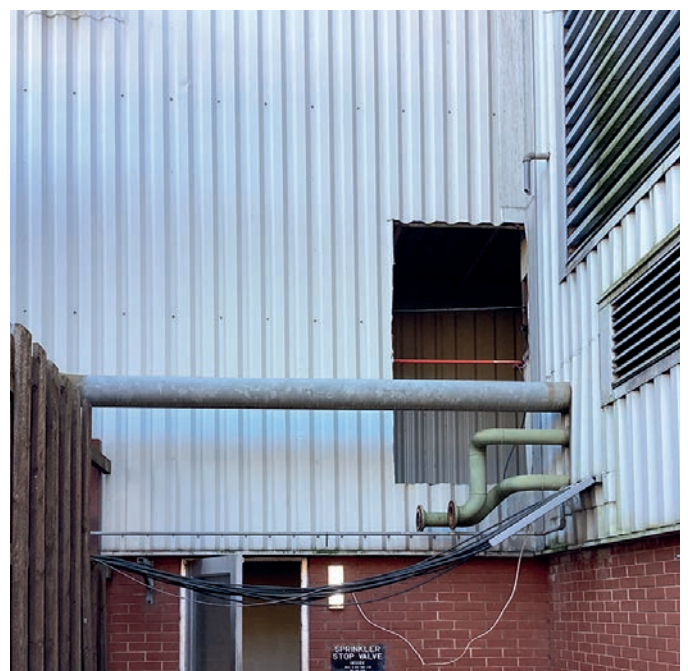
Why do we need a Schedule of Condition?

To lessen the exposure to such costs, tenants usually seek to limit their repairing obligation by referring to a schedule of condition so that the tenant is not required to keep the property (and return the property to the landlord at the end of the term) in any better state of repair than is illustrated by the schedule of condition. This limitation would need to be agreed upon by both the tenant and landlord at the outset and can often be a highly negotiated point.

It is generally accepted that the tenant should only be required to hand back the property in the condition it was in when the lease was granted. However, this question has been the subject of many cases brought before the courts. Advice, therefore, must be obtained from your solicitor.

Conclusion

A schedule of condition can take time, effort, and patience to initially agree and produce (and, for a decent schedule of condition, to pay for), it is worth investing in one to avoid a costly dilapidations bill, and any potential for dispute.



Navigating Challenges

The real value of property management



As market uncertainty becomes the norm, commercial property owners face numerous challenges that can significantly impact the value and performance of their investments.

Having an experienced Property Manager can be the key to successfully navigating turbulent times and maximising long-term value from your investment. GJS Dillon's Asset Management team offers commercial property owners the opportunity to have their commercial property professionally managed, but what are the benefits?

Expertise in Market Trends

A professional Property Manager has the ability to analyse and interpret market data and this enables them to make informed decisions on behalf of property owners.

During difficult market conditions, staying ahead of trends is crucial for adapting strategies and mitigating risks. For example, during the pandemic our Property Management team assisted in adjusting lease terms and offering rental incentives to ensure that our clients' properties remained fully occupied.

Tenant Retention and Communication

Maintaining a strong tenant base is essential for the financial health of a commercial property, especially in challenging market conditions. A skilled Property Manager excels at tenant relations and encourage open lines of communication. Proactive communication helps address concerns promptly, fostering a positive relationship between property owner and tenant, thus reducing the likelihood of vacancies.



ADVICE

John Behan

*Associate Director of
Asset Management*

John heads up the Asset Management team which works closely with Landlords and Tenants to ensure all parties are being provided with a proactive and tailored management service whilst also maximising investment returns.

Working with a range of property owners across Worcestershire and the West Midlands, the team strives to offer a professional and forward-thinking approach to their clients.

For further information contact John and his team on **01905 676169** or email johnbehan@gjsdillon.co.uk

Cost Management and Efficiency

A Property Manager is equipped to handle the day-to-day operational aspects of a commercial property efficiently. This includes overseeing maintenance, managing contractors and optimising operational costs. During difficult market conditions, cost management becomes critical to maintaining profitability. Using a property management service helps you to identify areas for cost savings, ensuring that the property remains financially productive.

Staying ahead of trends
is crucial for adapting
strategies and mitigating risks



Strategic Marketing and Lease Negotiations

In a challenging market, attracting new tenants and negotiating favourable lease terms becomes more complex. Property Managers are well-versed in creating strategic marketing plans to showcase the property's unique value propositions. Additionally, their negotiation skills play a crucial role in securing advantageous lease agreements. Whether it's negotiating lease extensions with existing tenants or attracting new ones, a Property Manager's expertise is instrumental in maximising returns on the property and limiting voids.

Regulatory Compliance and Risk Mitigation

Commercial property is subject to various regulations, and compliance is essential to avoid legal issues. Property Managers stay abreast of changes in laws and regulations, ensuring that the property remains compliant. Moreover, they are adept at risk mitigation, identifying potential liabilities and implementing measures to safeguard the property owner's interests during challenging market conditions.

In a challenging market
attracting new tenants and
negotiating favourable lease
terms becomes more complex

In summary, property management isn't simply about collecting rental fees. It's about making sure your property is constantly rented, you have the best possible occupants, and optimising your rental income. Ultimately, outsourcing your property management will save you time and enable you to focus on other goals, knowing that the resilience and profitability of your commercial property assets is being constantly monitored by market specialists.

“

Having an Agent who understands the local business community, and particularly the local office market, has paid dividends. Similarly, when it comes to management a local Property Manager is advantageous because issues can be dealt with quickly and efficiently.

Jon Hickton, Managing Director of Maximus

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10 Top Legal Tips

When Acquiring Commercial Premises

Thursfields Solicitors offer some valuable pointers to consider when purchasing commercial property

- 1 Seek Professional Advice**
It is important from the outset to seek professional advice to assist you with your purchase. From appointing an Agent (who can help negotiate the Heads of Terms), instructing a Solicitor to carry out due diligence checks on the property and obtaining tax advice from an Accountant. It is imperative to have a strong team behind you to make the transaction proceed as seamlessly as possible.
- 2 Funding/Source of Funds/Wealth**
How will the transaction be funded? If Lender funded, the Lender may impose Personal Guarantees if a company purchase, bridging loan or debenture. This may cause delays and may add to complexity. Agents and Solicitors need to satisfy source of funds requirements on how the prospective purchaser will be funding the purchase to comply with anti-money laundering obligations.
- 3 Use (current and proposed)**
It is important to understand the main objectives for buying a commercial property. Does the current Permitted Use meet with your requirements? The Seller/Landlord should supply a copy of the planning permission permitting the proposed use, however, if the current permission does not cover your intended use, a new application will be needed, potentially causing delays. Planning Permissions often come with conditions, restricting hours of use, delivery times and restrictions on noise, storage. If you breach these conditions, this will prevent you running your business as you wish.
- 4 Occupation/Vacant Possession**
It is important to decide whether you wish to purchase a tenanted property in good condition which will produce an income immediately or a cheaper property (which needs some work) but could make the property more attractive to tenants and boost the level of rent charged.
- 5 Survey/Property Management**
The Seller/Landlord must comply with various statutory obligations. The Seller should normally supply an Asbestos Survey, Fire Risk Assessment (particularly where cladding is present), test and installations certifications.
- 6 Searches**
The legal title documentation will be examined by your Solicitor and will reveal whether the property has the benefit of any necessary rights over neighbouring land, access rights, fire exit routes, service media to run pipes and cables. Enquiries of the local authority and the planning department will identify whether the property abuts a public highway. It will also reveal any proposed development in the future. Information provided by the Environment Agency will tell you the likely risk of flooding.
- 7 Timescale**
Be realistic about timescales for completion. There are external factors which may impact on the progress of the purchase, particularly links with lender requirements, potential works needed to the property and time required in your solicitor completing a thorough due diligence exercise.
- 8 VAT/Opting To Tax**
The sale and rental of property is normally exempt from VAT with some exceptions. However, some businesses choose to charge VAT e.g. if you buy a new commercial property for £650,000 you are automatically charged VAT on the purchase price £130,000. If you simply rent it out without doing anything you will not be able to claim this VAT back because of the exempt rental income. However, if you decide to opt to tax the property you would have to charge VAT on the rents to the tenant. In return you could reclaim all the VAT on the purchase, the associated professional costs and any ongoing expenses.
- 9 Individual/Company**
It is important to decide whether to own the property personally or hold the property within a limited company. There are advantages and disadvantages to both, and it is important to obtain tax advice to decide which option suits you best.
- 10 Stamp Duty Liability Tax (SDLT)**
Obtaining accurate tax advice is crucial in determining and settling any SDLT liability for your commercial property transaction to avoid penalties. For leased premises, SDLT may become payable again during the course of a lease as a result of rent reviews or may be triggered for any 'holding over' period if you remain in occupation under the terms of the existing lease, and the lease is renewed. SDLT is payable within 14 days from completion of the transaction, and there are penalties for late payment.



For advice contact Thursfields Commercial Real Estate Team on **0345 207 3728** or **info@thursfields.co.uk** or visit **www.thursfields.co.uk**

THURSFIELDS

Office Sub-Markets 2023

	Total Take-Up (ft ²)	Vacancy Rate	Avg. Deal Size (ft ²)
Bromsgrove	46,888	4.8%	1,803
Malvern Hills	13,428	7.2%	1,492
Redditch	26,462	5.9%	2,406
Worcester	64,238	6.6%	2,379
Wychavon	24,611	4.6%	1,538
Wyre Forest	27,583	4.1%	3,448



ANALYSIS

Andrew Lewis

Director of
Commercial Agency

Author of the
Worcestershire Commercial
Property Market Report

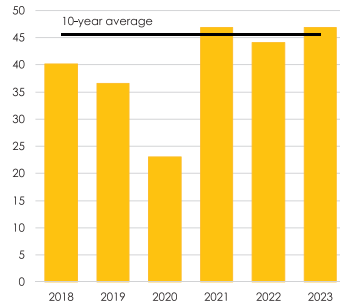
GJS Dillon's award-winning Sales, Lettings & Acquisitions team is headed by Andrew Lewis, a Chartered Surveyor with experience in both the London and Worcestershire commercial property markets. Andrew knows the area inside out having been born and bred in the county.

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

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

Total Take-up freehold and leasehold (ft²)

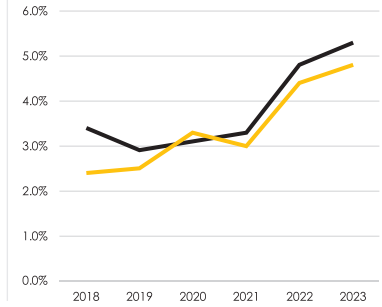
46,888



Vacancy Rate (%)

4.8

Region Worcestershire



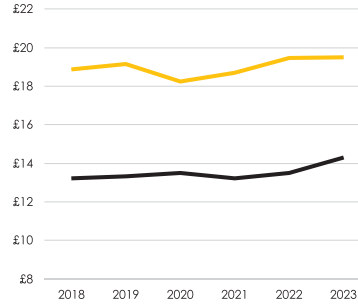
Average Deal Size (ft²)

1,803

Headline Rent ignoring incentives (£ per ft²)

19.50

Headline Average



Headline Rental Growth (%)

+0.1

Bromsgrove



Bromsgrove remains a consistent performer; providing good levels of take-up and multiple freehold opportunities. In order for values to exceed those that have been achieved in the past, high specification space needs to be delivered.

Demand

Take-up in Bromsgrove was over 40,000 sq ft for the third year in a row at 46,888 sq ft; 40% higher than the average for the three years prior to this. The submarket has also outperformed its 10-year average, with Bromsgrove and the adjacent Wyre Forest being the only areas to do so.

2023 saw the highest number of 4,500 sq ft plus transactions since 2015, making up 15% of all transactions. This is uncharacteristic of Bromsgrove with the percentage over the past 10 years being at marginally over 10%.

Supply

Despite there being an increase in the occupation of space within the 4,500 sq ft plus size bracket, vacancy rates have increased in line with the average for Worcestershire; albeit tracking slightly below. The predominant driver for this is the increase of freehold space on the market which is taking longer to transact owing to current funding challenges.

Bromsgrove has traditionally catered well for the freehold market, it had the highest number of sales out of any submarket in 2023, and was therefore always going to react to the current funding challenges.

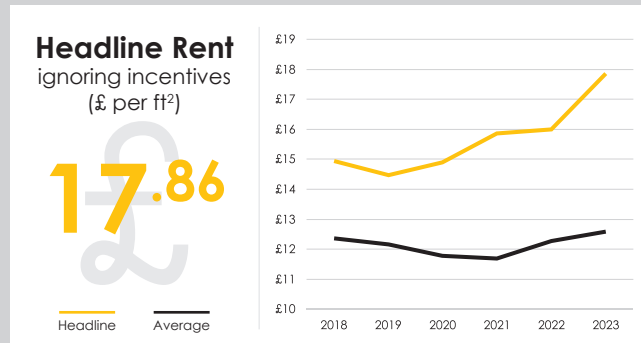
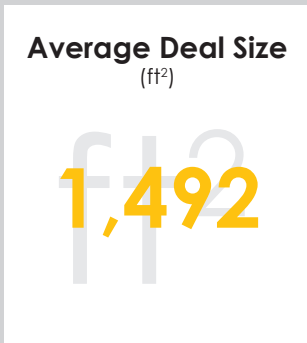
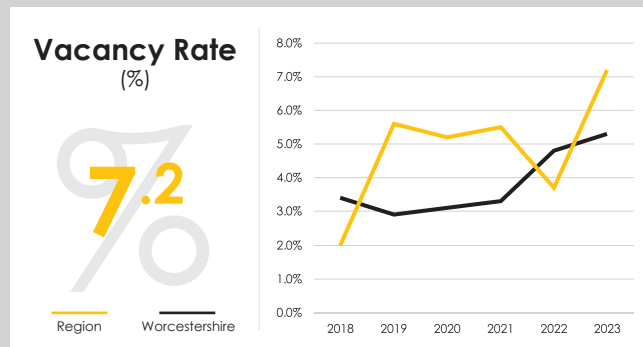
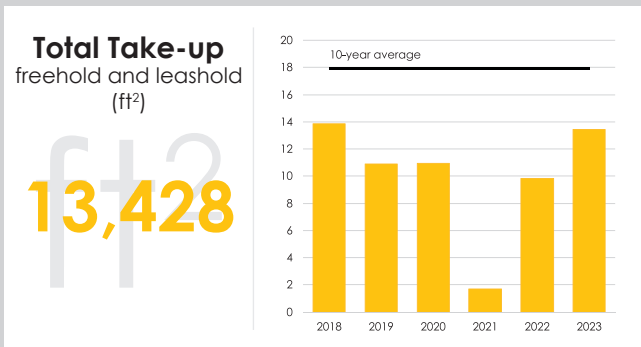
Rental and Capital Values

Headline rents have been stagnant for a while, with the increase since 2018 being at +3.3% - disappointingly low in comparison to the county average increase of +16.9% since 2018. Average rents have fared marginally better showing a +7.4% increase since 2018 compared to the county average of +8.2%.

Bromsgrove pushed the rental boundaries when Topaz Business Park was delivered, however this space is now circa 14 years old with no new speculative offices being delivered since then. There is a similar trend in the freehold market where capital values, although strong, have stagnated.

Outlook

Bromsgrove demonstrates the shift in occupier mindset from purchasing to leasing; with 2023 having the second lowest number of sales in the district since 2009 and the second highest number of lettings in the past 10 years. This strong rental market can provide the catalyst for increasing rent, provided that quality space is delivered.



Malvern Hills



As one of the only submarkets to see an annual increase in take-up over the past three years, the Malvern Hills office market is experiencing good momentum off the back of recently delivered infrastructure projects.

Demand

After poor levels of take-up in 2021, the Malvern Hills submarket responded well in 2022 and continued to build on this momentum in 2023. Whilst still some way off the 10-year average (which came after exceptionally high levels of take-up between 2014 – 2017), the 13,428 sq ft that was occupied in 2023 outperforms the five-year average of 9,354 sq ft.

This good level of take-up was achieved without a single recorded transaction above 2,500 sq ft, with this being only the second year ever that a deal hasn't been recorded above this size.

Supply

As at the beginning of 2024 there were five properties on the market within the Malvern Hills, with three of these being over 5,000 sq ft. Unfortunately, the average deal size (which at 1,492 sq ft was the lowest in the county) and lack of transactions over 2,500 sq ft show that there will be limited demand for this space. This will result in a chronic shortage of accommodation that is fit for purpose.

We would recommend to owners of large buildings that they split accommodation where they can.

Rental and Capital Values

Headline rents in the district have performed in line with the county average, at a strong +16.4% in comparison to the previous year. This is reflective of the low transaction size, where smaller buildings tend to command rental premiums.

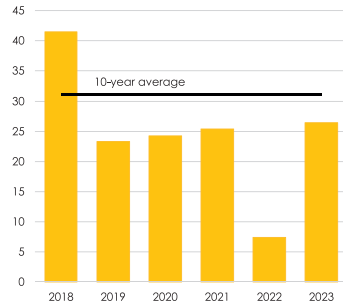
In comparison, average rents increased at the lowest rate (+1.8%) of any submarket in the county (with the county average being +8.2%). In contrast to headline rents, this will be due to the lack of medium sized transactions.

Outlook

Whilst small office suites are currently performing well in the Malvern Hills, there still remains the opportunity to attract larger occupiers from nearby areas such as Worcester, especially as the area's infrastructure has been significantly enhanced since the dualling of the Southern Link Road.

Total Take-up freehold and leasehold (ft²)

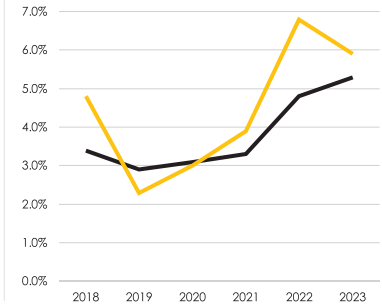
26,462



Vacancy Rate (%)

5.9

Region Worcestershire



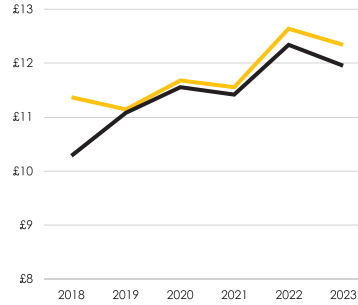
Average Deal Size (ft²)

2,406

Headline Rent ignoring incentives (£ per ft²)

12.34

Headline Average



Headline Rental Growth (%)

-2.4

Redditch



Improved take-up levels demonstrate Redditch's identity as a hot spot for larger businesses within the county. This, along with the opportunity to provide much needed refurbished space, presents an opportunity for investors looking for good returns.

Demand

After experiencing the lowest take-up of office space ever in 2022, 2023 saw take-up in Redditch return to levels that exceed the five-year average of 21,358 sq ft, albeit take-up is still behind the 10-year average.

This was down to an increase in the larger sized transactions that the area is well known for, with the amount of space transacted in the 4,500 sq ft plus category being the highest since 2018. This can be attributed in part to the town's recovery from the pandemic, when larger offices struggled.

Supply

Vacancy rates within Redditch have gone from being the highest in 2022, to being one of only two submarkets with decreasing vacancy rates in 2023. This was as a result of the larger number of plus 4,500 sq ft transactions, thus taking vacant space off the market.

As costs continue to be monitored, we expect the vacancy rate to fall further as Birmingham occupiers look to relocate to more cost-effective accommodation that is still in proximity to the city and its transport network.

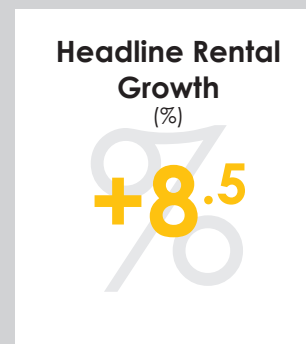
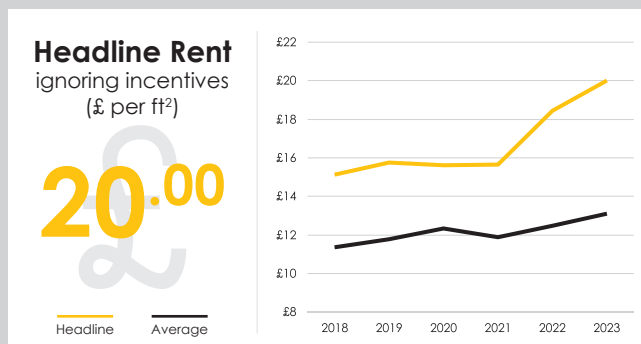
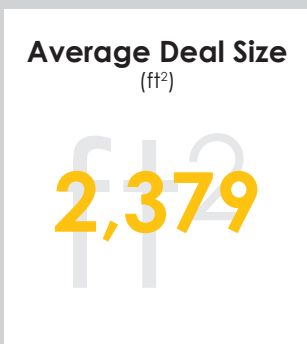
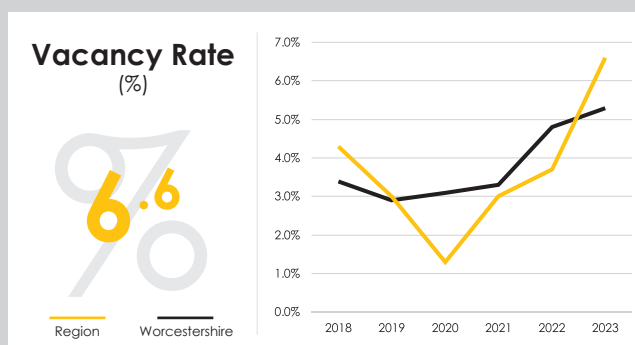
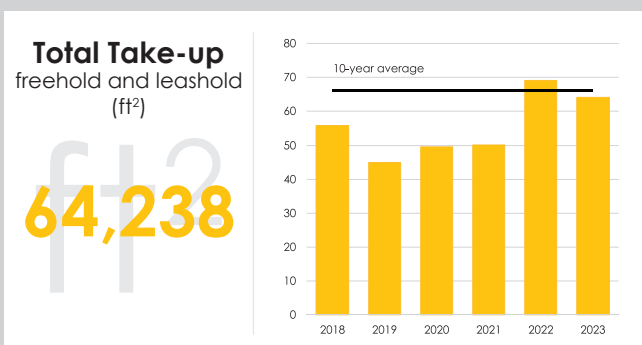
Rental and Capital Values

When there is a negligible variation between headline and average rents this often means that there is not enough Grade A office space to achieve the headline rents that differentiate from the rest of the market. This has been something that the Redditch submarket has suffered from since 2019.

By offering more Grade A space, headline rents can be pushed to levels seen in adjacent Bromsgrove, whilst also ensuring that the vital energy performance regulations are met. This shift in quality will also have a positive impact on the sales market.

Outlook

Redditch bounced back well after a poor 2022, showing the confidence of larger occupiers looking to return to the town following the recent shake up in the office market. As Birmingham based businesses start to look at occupational costs, this could present further opportunity to increase take-up levels.



Worcester



Lift-off! Worcestershire office rents pass through the £20 per sq ft barrier for the first time ever at the Vinegar Works. This will not be a one-off as occupiers look to take quality space in the right location.

Demand

Whilst 2022 proved a good year for the take-up of office space in Worcester, if the 38,500 sq ft sale of Oak House is removed, 2023 comes out as the best performing year since 2014, smashing past the adjusted 10-year average.

The average deal size is also on the up, being at 2,379 sq ft in 2023 in comparison to 1,135 sq ft in 2022 (again with Oak House removed) and 1,904 sq ft in 2021; showing the return of larger office-based teams to the workplace.

Supply

Developers within Worcester have done a good job in converting or refurbishing space – such as the Vinegar Works, the Porcelain Works, and the Old Fire Station – giving it an identity and relaunching to the higher end of the market.

It is this identity piece that has been so interesting to observe. By creating a destination that employers and employees want to be located in, these developments have revitalised the city centre office market and pushed rental values to new highs.

Rental and Capital Values

Headline rents have surpassed the £20 per sq ft barrier for the first time as 2,883 sq ft is let at the recently refurbished Vinegar Works. This is no surprise given the demand for quality office space that is in a location that offers employees a different environment to the home office.

Schemes such as the Vinegar Works have created a precedence for unique space that becomes a destination as well as an office. Such space has yet to be sold, meaning the anticipation of where capital values can be pushed to will remain for a while longer.

Outlook

Whilst unique Grade A space in the city centre should be celebrated, consideration needs to be given to the office space that lies empty on the business parks. Investment in the space itself is needed, alongside improving the offering to employees looking to shift from the home office back to the workplace.



Wychavon



Rising construction costs may make game-changer office schemes temporarily unviable. However the delivery of refurbished space in the well-connected market towns presents the opportunity to add footfall to the high streets, as well as improve the workplace offering.

Demand

2023 saw the second lowest number of transactions since 2009 (with the lowest being in the Covid year of 2020). And whilst the take-up charts appear to show a relatively consistent performance over the past five years, if the sale of a 10,000 sq ft unit in Pershore is removed, take-up falls to below half the 10-year average.

Yet despite all this, Wychavon has amongst the lowest vacancy rates in the county, demonstrating an issue with supply as opposed to demand.

Supply

The primary issue around supplying new office space in Wychavon is where do you put it? The district is so large and encompasses so many different characteristics, and the appeal of each area has shifted significantly over recent years.

For example, there's the opportunity to provide space adjacent to infrastructure hubs – but then do people want to be near amenities? Or the opportunity to provide space in market towns – can these compete with larger towns or cities? Once/if office trends become clear, this will aid Wychavon greatly.

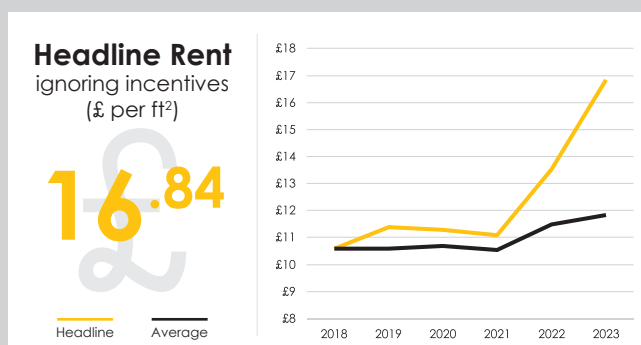
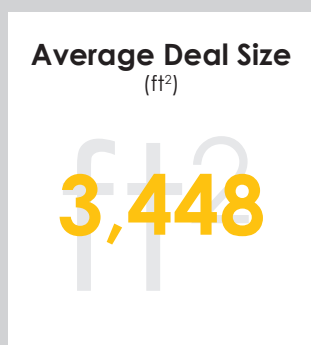
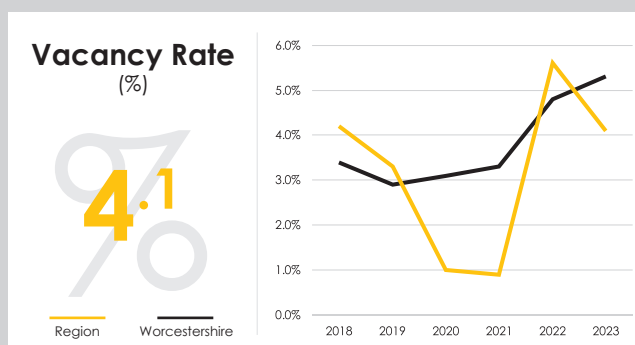
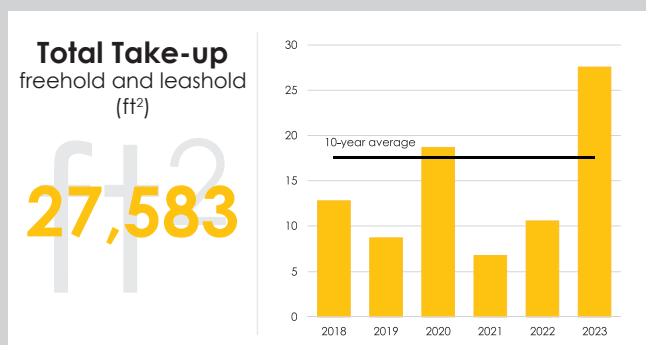
Rental and Capital Values

Despite seeing positive headline rental growth of +12.5% over the past five years, headline rents have decreased by -0.9% in the past year. Whilst this is currently a short-term issue that may resolve itself over the upcoming year, it is difficult to see what schemes would allow rental growth to resume, with there being little Grade A stock on the market.

Like the rest of the county, capital values have stagnated as the sales market pauses in reaction to the increase in the cost of borrowing.

Outlook

County-wide the market is demanding quality office space, adjacent to amenities and in often unusual, unique buildings. Whilst there is little that matches this criteria in Wychavon at present, there is the opportunity to deliver this type of space in its attractive, well-connected market towns.



Wyre Forest



In 2023 the Wyre Forest market shifted to provided space for larger office occupiers. If this remains a permanent trend, there are buildings available to facilitate the delivery of what will be in demand office space with that coveted 'quirky' industrial fitout.

Demand

At 3,448 sq ft the average deal size in the Wyre Forest is the largest in the county by a long way (Redditch is second at 1,000 sq ft less). What is more important is that this hasn't been caused by one large anomaly, with five of the eight recorded transactions being over 2,500 sq ft.

The increased number of larger lettings has led to the second highest take-up levels ever and a figure that is well beyond the 10-year average for the submarket.

Supply

Whilst it still needs to be proven that the shift to larger office space is an institutional change as opposed to a one-off, the Wyre Forest district does have the space to create large floor plates. Like Redditch, the area could offer Birmingham and Black Country occupiers more affordable premises, whilst also offering good connectivity to the region and wider West Midlands.

The space for creating this type of accommodation exists by way of repurposing former manufacturing premises.

This not only offers the ability to match occupiers' size requirements but also their need for unique quality space.

Rental and Capital Values

In 2022 headline rents increased significantly owing to a number of small lettings in the town centre, where quantum usually means that smaller space pushes rents up. In 2023 headline rents increased because quality space was offered to the market which in turn snapped it up as it offered unique office accommodation.

An example of this was Wyre Forest House, a premium Council-delivered building which was made available to private companies looking for office accommodation.

Outlook

The Wyre Forest submarket has the lowest office vacancy rates in the county, the highest headline rental growth over both a one & five year period and the greatest number of buildings that provide the ability to deliver unique quality space – this must present a cocktail of opportunity for investors?

The Secret to Successful Searching

Expert advice on searching for commercial property from a Chartered Surveyor that knows the local market.

Demand for high quality industrial and office accommodation in Worcestershire has now been outstripping supply for several years. John Dillon, GJS Dillon's Managing Director, says that organisations searching for business space themselves are wasting time and potentially thousands of pounds.

Finding the right commercial property is not easy, particularly at present when there is a record shortage of business accommodation. Hoping that the ideal commercial property will appear miraculously on a digital platform designed to sell houses just isn't going to happen. I'm amazed that well-established businesses do not invest in professional advice when it comes to the search for premises.

I'm constantly speaking to business owners who see their ideal commercial premises too late. They want to be at the front of the queue rather than the back and seeing a 'Sold' or 'Let' sign on a building that could have taken their business to the next level can be heart breaking!

Some properties are openly on the market, but not easily identifiable from one source, and a great many are off market. Businesses may never be aware of the entire choice, or believe, wrongly, that the type of premises for which they are searching does not exist.

For businesses looking to acquire new manufacturing and distribution premises, especially between 10,000 sq ft and 50,000 sq ft, the choice can be limited

or seemingly too expensive. Here local contacts and knowledge can be particularly valuable in identifying and securing new properties before they come to the market.

For organisations wishing to rent existing premises, there is a common misconception that a Chartered Surveyor can only help to negotiate the cost of the lease, and it is possible for any business owner to bargain the rent down. But they do not know, because they do not work in the property market day in day out, just how much of a reduction in the rent they can negotiate.

They also forget that rent makes up only around 60% of their total property costs and a good Surveyor

can help with service charge costs, capital allowances as well as with issues such as lease length, break clauses, assignments, schedule of conditions and other contractual terms.

So, if you're looking for property for your business, the question should not be can you afford to pay an experienced local Chartered Surveyor to advise you, but can you afford not to? It is such a rewarding part of what we do, and we genuinely want to help your business – please get in touch.

Businesses may never be aware of the entire choice



ADVICE

John Dillon
Managing Director
GJS Dillon

John Dillon has been a Chartered Surveyor since 1998, setting up GJS Dillon in September 2010.

He is a graduate of the Goldman Sachs 10,000 Small Business programme, a Board Member of the Worcester Local Enterprise Partnership and is unashamedly determined to stop businesses being duped into overpaying when renting or buying commercial property in Worcestershire.

GJS Dillon has helped hundreds of businesses to acquire commercial premises that are either on the market or often completely off market.

Further details of this service call
01905 676169 or email
johnhdillon@gjsdillon.co.uk

Industrial Sub-Markets 2023

	Total Take-Up (ft ²)	Vacancy Rate	Avg. Deal Size (ft ²)
Bromsgrove	89,162	4.1%	4,246
Malvern Hills	89,984	3.8%	12,855
Redditch	283,859	2.8%	5,914
Worcester	195,627	6.4%	13,973
Wychavon	256,055	5.3%	11,639
Wyre Forest	188,813	5.3%	11,801

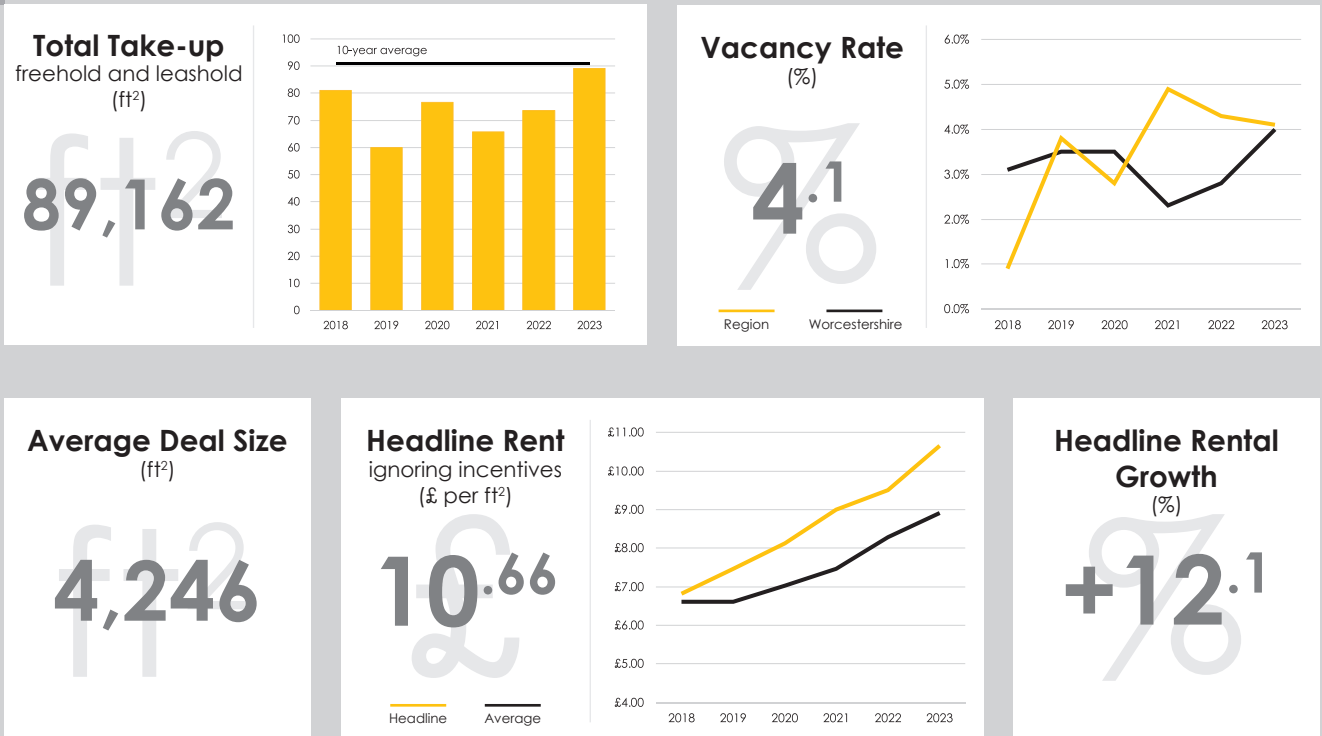


GJS Dillon offers a specialist Business Relocation Service for organisations looking for industrial/warehouse units of more than 10,000 sq ft, or offices of more than 5,000 sq ft throughout Worcestershire and the West Midlands.

We have helped hundreds of businesses to acquire commercial premises that are either on the market or often completely off market.

Further details of this service and examples of how GJS Dillon has identified and acquired property for organisations of all sizes is available from John Dillon.

john@dillon@gjsdillon.co.uk | 01905 676169



Bromsgrove



New developments help ease the pressure and provide occupiers with much needed quality accommodation at a price at which they are prepared to pay. Freehold values remain solid; however opportunities are still scarce.

Demand

Take-up in 2023 was 22% higher than the five-year average and marginally in line with the 10-year average. This is attributed to an increase in the number of transactions, 21 in comparison to the five-year average of 16.

More specifically there was an increase in rental demand, with the amount of space that was sold being in line with the five-year and under the 10-year averages. Therefore, the rental market performed well above previous levels, reflecting the loss of appetite to purchase owing to increased borrowing costs.

Supply

Another key catalyst for the strong performance of the rental market was the delivery of high-quality industrial schemes such as Phase 2 Sapphire Court and Buntsford Business Centre. These proved extremely popular with Sapphire Court being at 94% occupancy only six months after the latest phase was delivered.

Again, Bromsgrove had the lowest average deal size within the county, falling for a record fourth year running. This isn't a concern owing to the strong SME business base in the town.

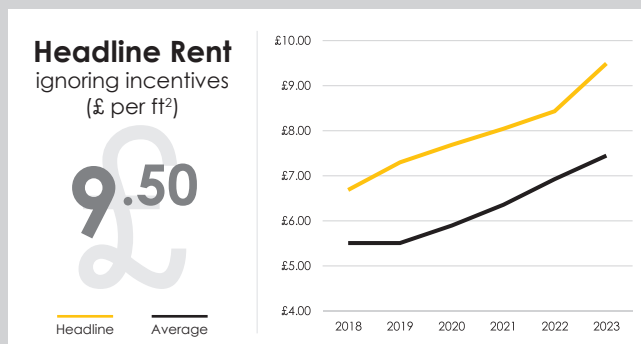
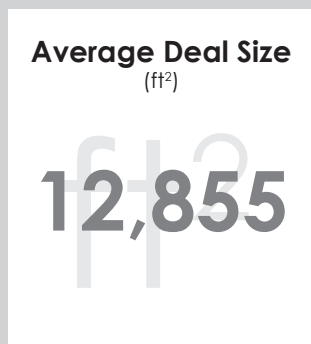
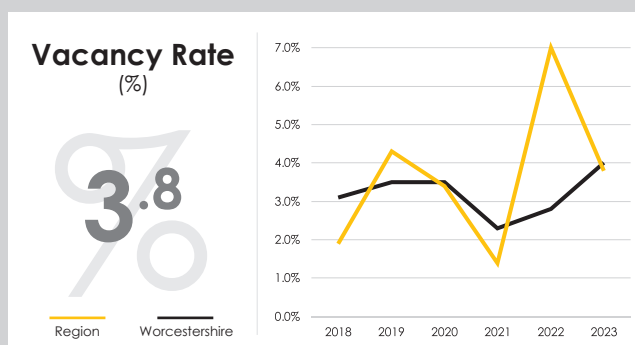
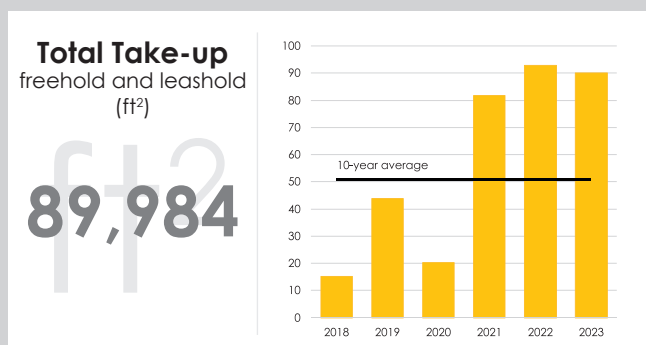
Rental and Capital Values

Headline rents pushed past the £10 per sq ft barrier for the first time in 2023, increasing by 12.1% in comparison to the previous year. Average rents also increased, however at the slower rate of 7.7% - again this was because quality new space was added to the market.

Despite the cautiousness of the freehold market, capital values remained strong. With Bromsgrove not having particularly large units (nothing sold above 4,000 sq ft), lot sizes are of a manageable size where not much debt is required.

Outlook

Bromsgrove will be the area that bucks the trend of falling freehold demand, with the smaller lot sizes found in the region remaining affordable for purchasers. What will inhibit freehold take-up is the lack of opportunities as sellers don't fully understand the continuing buoyancy of Bromsgrove's freehold market.



Malvern Hills



The area is experiencing consistently strong performances – proof of the appeal of improved accessibility, with average journey times from Malvern's commercial centre to Junction 6 of the M5 motorway now being less than 15 minutes, opening the door for businesses.

Demand

Take-up has surpassed the 10-year average for the third year running. Again, this can be attributed to two large lettings at Broomhall Business Park, where Obex and Nemesis took a 45,000 sq ft and 15,000 sq ft respectively.

There were however good substantial lettings and sales across other parts of the Malvern Hills submarket. Where these strong performances were once an anomaly, they are starting to become the norm; with take-up and the average deal size tracking in line with the previous three years.

Supply

To accompany a strong performance in take-up, there was a 45% fall in vacancy rates, to a point where the Malvern Hills had the highest vacancy rate in 2022 and now has the second lowest. This fall in vacancy rate is reflective of the success in delivering space at Broomhall.

If the two Broomhall deals are removed, the average deal size halves to 5,624 sq ft. Opportunities for this area of the market are only offered when existing space becomes vacant. Support needs to be given by way of new development.

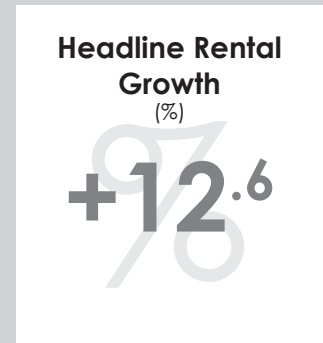
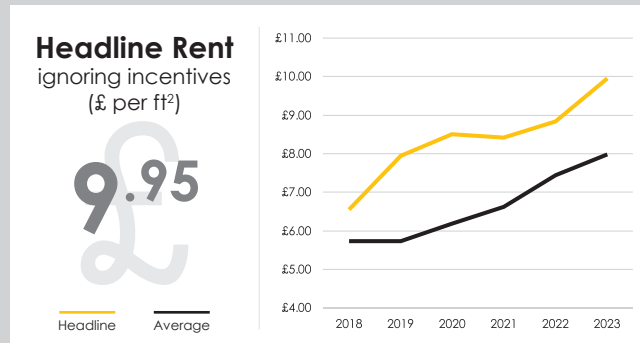
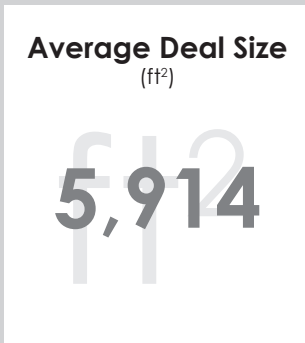
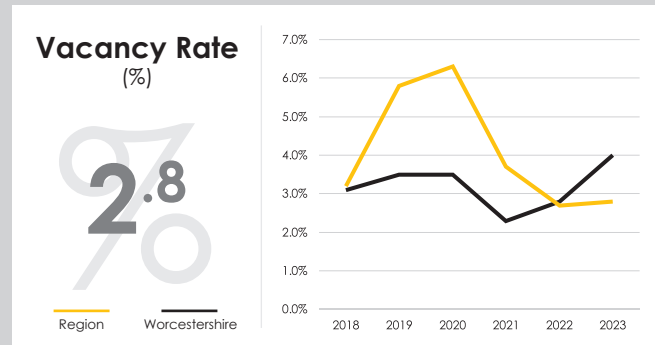
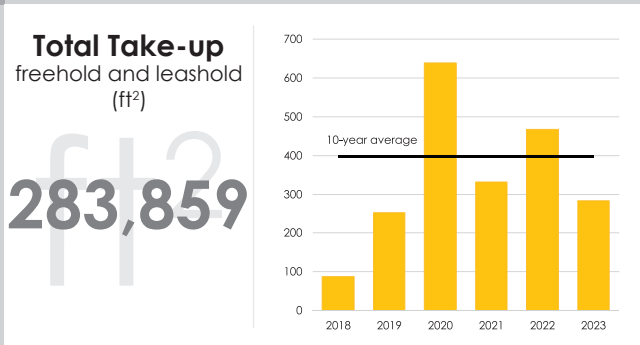
Rental and Capital Values

Last year we reported that headline rents had been pushed to their highest levels ever, in 2023 they improved by +12.6% on these previous reported record levels. Average rents increased at a slower rate of 7.7%, however this was still in line with the county and good rents were achieved at outlying properties on the edge of the submarket.

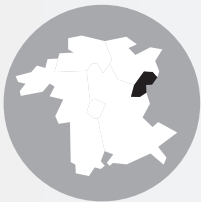
Capital values were curtailed following the sale of 6,764 sq ft of dated space on Leigh Sinton Road.

Outlook

2023 was another strong year, again supported by activity at Broomhall Business Park. Should similar new build opportunities be made available for SME occupiers, this will further establish the much improved performance of the Malvern Hills submarket and further exploit the improved accessibility offered by the dualling of the Southern Link Road.



Redditch



Smaller transactions dominated 2023 in a submarket that has traditionally offered larger industrial opportunities. The delivery of smaller schemes could help support this growth area and provide much needed affordable options for the freehold market.

Demand

Despite 2023 having the lowest amount of take-up since 2019 and being 29% below the 10-year average, there were a bumper number of transactions at a recorded 48 – the highest since 2014 and a staggering 45% increase on the 10-year average of 33 per annum.

Demand therefore came from smaller occupiers with 63% of all transactions being in the sub 5,000 sq ft market and the average deal size falling from 18,006 sq ft in 2023 to 5,914 sq ft in 2023.

Supply

The bulk of these smaller transactions happened on older estates such as Manorside Industrial Estate and Oxleasow Road, with there being very little by way of the supply of quality smaller industrial space. Over recent years Redditch has traditionally catered for the larger industrial occupiers and new schemes to suit these occupiers, such as Velocity 42 and Redditch Eastern Gateway, have been delivered.

There is therefore a gap in the market for a quality small industrial scheme which will have strong demand and healthy returns.

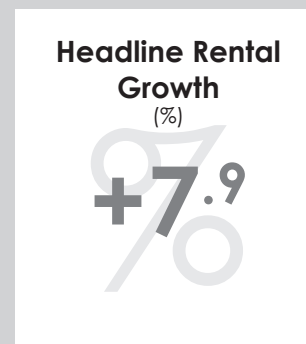
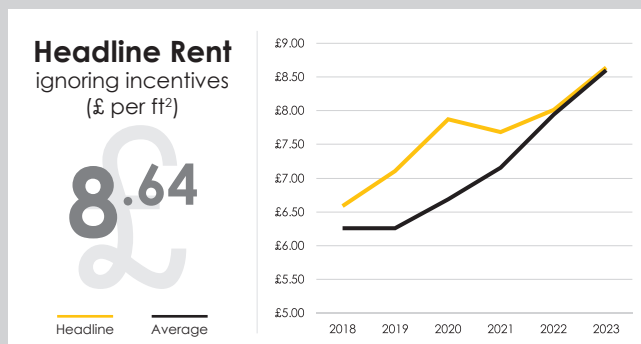
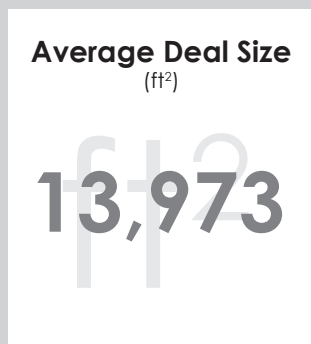
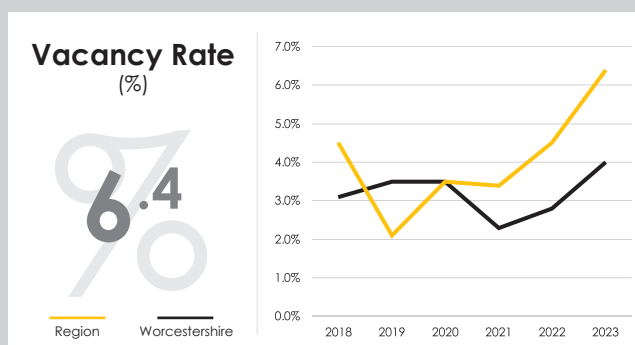
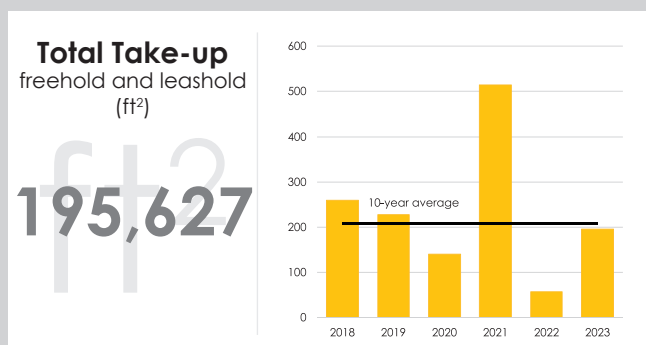
Rental and Capital Values

The rates at which headline and average rents increased completely flipped in 2023; with increases in 2022 being +5.0% for headline rents and +12.2% for average rents in comparison to increases of +12.6% for headline rents and +7.4% for average rents in 2023.

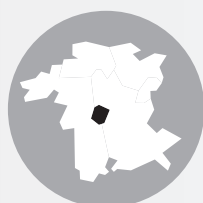
This is testament to the demand for quality space and the willingness of occupiers to take more expensive accommodation, as in the longer run their occupational costs are often less once energy bills and maintenance costs are factored in.

Outlook

Whilst it isn't correct to say that in one year Redditch has flipped from being a county hotspot for large businesses to a hotspot for small occupiers, there has however been a surge from SMEs taking space in the district. If this market trend continues, Redditch could become a home for all types of business.



Worcester



Performance looks good on paper, however the crisis caused by the shortage of small commercial units continues. 2023 saw the fewest number of transactions below 5,000 sq ft ever and demand for these units is increasing as previous sites are repurposed.

Demand

After the high performing anomaly of 2021 and low performing anomaly of 2022, take-up volumes returned to levels that were in line with the 10-year average. There were however a low number of transactions – 14 compared to the 10-year average of 21 – and therefore more larger transactions.

This is shown by the high average deal size of 13,973 sq ft (the third highest over the past 10 years) and that 43% of transaction were over 10,000 sq ft – with the highlight being the letting of Woodside Point to Springpack.

Supply

Vacancy rates are high at 6.4%, the highest in Worcestershire, owing predominately to the introduction of industrial space at the former Joy Mining/Komatsu site off the Bromyard Road. This shouldn't be a concern as demand is certainly there.

Quality accommodation is needed, with schemes such as Broomhall Business Park and Worcester Six being outside of the city boundary and therefore skewing the perception of what quality space is available in Worcester itself.

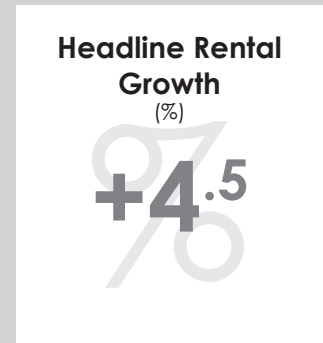
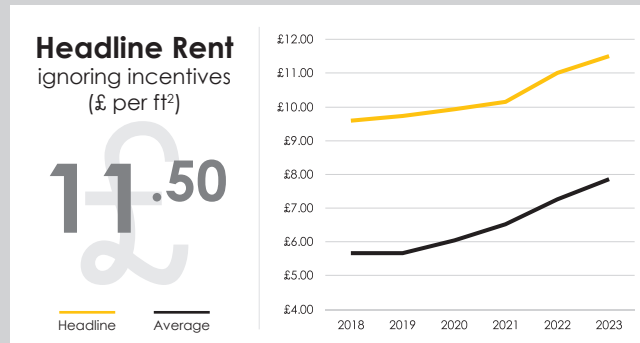
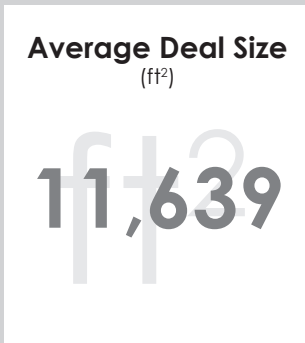
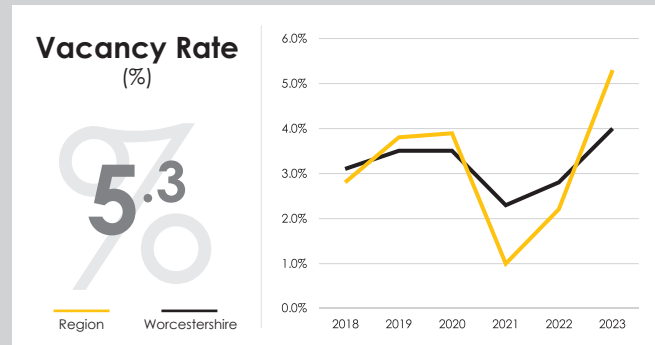
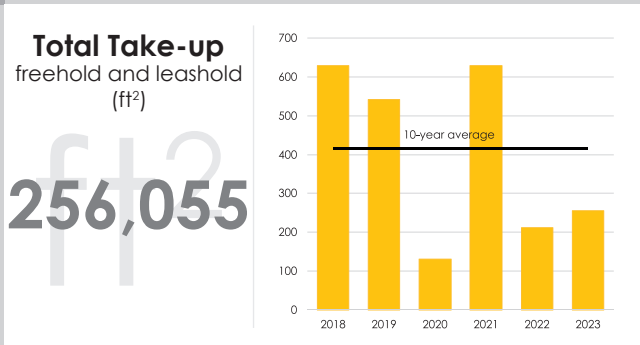
Rental and Capital Values

Worcester has the lowest recorded headline rent in the county, which is surprising given its accessibility to transport links and highly skilled workforce. The driver behind this will be the lack of availability of small quality industrial units –these are much needed in Worcester following the withdrawal of space for smaller occupiers around Shrub Hill railway station.

An increase in headline rents is feasible with the aforementioned schemes, for example the Wychavon based development of Withy Wells Business Park lies less than a mile east of Worcester's boundary and is achieving rents well past £10 per sq ft.

Outlook

Take-up levels are back on track however there is still a shortage of smaller transactions, with 2023 having the fewest amount of sub 5,000 sq ft transactions ever. The entrepreneurial spirit of this University town needs to be captured by the delivery of space that is suitable for the SME market.



Wychavon



Space on new developments should be reserved for small units; this will support new business growth, encourage inward investment and organically create the future occupiers for the much celebrated game-changer schemes.

Demand

The levels of take-up in Wychavon are susceptible to whether or not a large transaction occurs at a game-changer scheme such as Worcester Six or Hartlebury Trading Estate. For example when Victoria Carpets signed up for 180,000 sq ft of space in 2021, take-up levels skyrocketed to their highest levels ever.

What is a more telling metric is the number of transactions in any year, and 2023 saw the lowest number (22) since our records began – to put this into context the average number of transactions of the past 10 years have been 39.4 per annum.

Supply

To further cause concern, the vacancy rate in Wychavon is amongst the highest in the county, having been the lowest the year prior.

When deals are broken down by size bracket, the reasons for the reduction in transactions and increase in vacancy rate become more apparent. Despite having the lowest number of transactions ever, 2023 saw the second highest number of +10,000 sq ft transactions, meaning that deals (and availability) below this level were at historic lows.

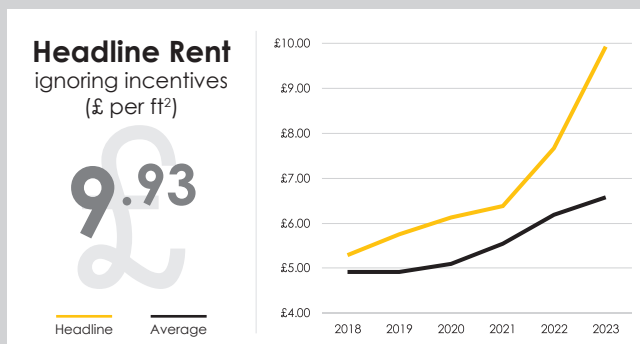
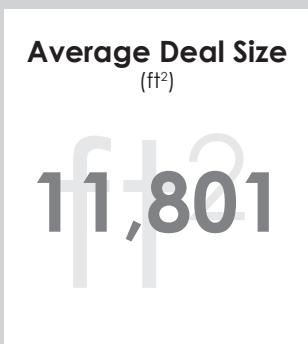
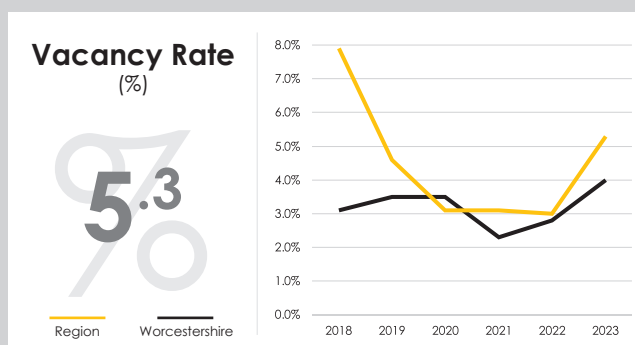
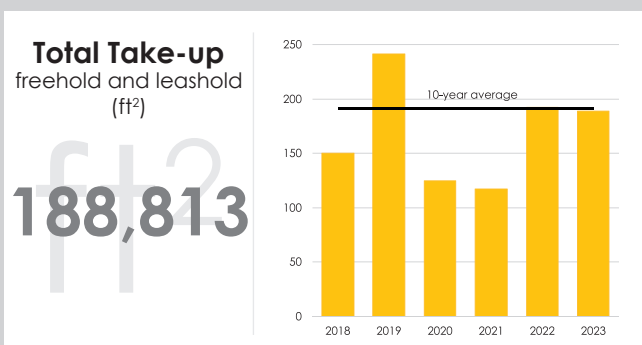
Rental and Capital Values

With small transactions commanding rental premiums, it is no wonder that Wychavon saw the lowest level of headline rental growth in the county, at +4.5% compared to a county average of +13.2%.

Wychavon does however command the highest rental premiums in the county, with 2022's headline rent being 15.7% higher than anywhere else and the 2023 headline rent being £11.50 per sq ft. Only Bromsgrove is past the £10.00 per sq ft barrier. Does this reflect a warning that asking rents are too high and that possibly occupiers will turn away from this area?

Outlook

Wychavon has a lot to celebrate, particularly if we factor in how new industrial schemes have changed the commercial landscape within Worcestershire. However serious consideration now needs to be given to catering for SMEs – there were only 13 recorded deals below 10,000 sq ft, compared to the 10-year average of 29.7.



Wyre Forest



Rental values have increased by +55.6% in a two-year period. This shows commitment from occupiers wanting to pay good money to be located in the district – something which should promote the delivery of further quality space.

Demand

For the second year running, the Wyre Forest submarket experienced a take-up performance that was in line with its 10-year average. This comes on the back of a signature letting to DHL at Hoo Farm Industrial Estate and the occupation of 76,200 sq ft at Haynes Point by Captivate Brands.

The percentage of freehold transactions was down (at 14.3% compared to 41.7% the previous year), which is reflective of the national issues surrounding high borrowing rates and increased stringent lending criteria.

Supply

The vacancy rate within the Wyre Forest has increased in line with the county average and is still tracking above this level. One reason for this is the delivery of space at the former Brintons carpet factory, something which should be celebrated as former manufacturing space gets repurposed for modern occupiers.

The average deal size has remained within 0.4% of the previous year at 11,801 sq ft, perhaps showing consistent demand for space of this size and the need to continue delivering more of it.

Rental and Capital Values

Headline rents increased by 29.6% in 2023 and have increased by a staggering +55.6% since the start of 2022 (to put this in comparison the next highest increase within this date range is Bromsgrove at +18.4%).

This can be attributed to Wyre Forest District Council's commitment to deliver quality space that the market demands – such as the micro unit scheme at Unity Park and the speculative small unit scheme at Forest Industrial Park.

Outlook

The Wyre Forest industrial market has improved the most out of all districts over the past five years. The opportunities that this submarket presents are still coming to light at refurbished schemes such as Brintons and Haynes Point. Such schemes could also be delivered on a speculative build basis at former manufacturing sites.

The House Surveyors

Make informed decisions with our expertise and local knowledge



Buying a house is one of the biggest purchases most people will make in their lifetime and without expert advice, it can turn into a costly mistake.

It was this rationale that led to the formation in 2020 of GJS Dillon's dedicated residential survey and valuations business. With an established reputation for award-winning commercial property valuations and surveys, it was evident that a sister company was needed to provide a similar service to homebuyers. Prior to the creation of The House Surveyors, home buyers were often missing out on access to the local knowledge and expertise needed to make informed decisions on their purchase.

The House Surveyors team comprises Jonathan Mountford and Piers Thompson. Both are experienced RICS Chartered Surveyors and Registered Valuers who have come across all kinds of defects and structural issues in domestic premises over the years.



EXPERTISE

Jonathan Mountford
Director of Valuations and Professional Services

With over 25 years' experience as a Chartered Surveyor and RICS Registered Valuer, Jonathan has considerable experience with all types of surveys on residential properties from small cottages to large Grade 1 Listed mansions.

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GJS | Dillon

The House Surveyors

As well as RICS Home Surveys Levels 2, 3 and Level 3 Bespoke, the team offers Help to Buy Valuations and valuations for other purposes such as Purchase, Matrimonial, Inheritance Tax, Probate and Insurance Reinstatement.

Covering an area of Worcestershire, Herefordshire, Gloucestershire, the Cotswolds and the wider West Midlands. We pride ourselves in our local knowledge, value for money service and excellent customer service.

For further details of GJS Dillon's Residential Surveying and Valuation Services see www.thehousesurveyors.co.uk or call **01905 28684**

Level 3 Bespoke Survey

Detailed advice and assessments of each element within the property

A RICS Survey will almost always identify some kind of issue, particularly when the property is older. But when it is over 100 years old, there is potential for any problems to be compounded by the property's age. Half-timbered houses and thatched cottages, some dating back as far as the 16th century, abound within the geographical areas covered by the House Surveyors.

It is for this reason that the team decided to offer a Level 3 Bespoke Survey which is a custom-made report. This provides more detailed advice, assessments of each defect and the overall condition of each element within the property.

Our Surveyors understand the complexities of the design and the characteristics of the traditional materials used. This allows us to provide balanced reports with additional advice regarding repair and maintenance. The insights gleaned from this level of scrutiny, including the use of drone photography, empowers the purchaser.

In the case of both Level 3 and Level 3 Bespoke Surveys, the House Surveyors team will put together a planned maintenance schedule for the purchaser. This enables the purchaser to have a clear understanding on the severity of each defect and the likely timescale required for repair.



CASE STUDY

Concrete tiles used on a 300 year-old listed property had caused roof spread leaving some parts exposed to the elements. Essentially the entire roof structure and covering required complete replacement.

Having been advised that the repairs would cost £300,000, the potential purchaser tried and then failed to renegotiate the purchase price. Ultimately, they decided not to go ahead with the purchase.



Piers Thompson

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RICS Home Survey Level 2

Suitable for the majority of homes
built in the last 50 years

Generally good state of repair



RICS Home Survey Level 3

Generally suitable for older homes
built in the last 50-100 years

Gives a more detailed assessment
of the defects and condition

Generally for larger properties, may
be in poor condition, may have
undergone minor alterations



RICS Home Survey Level 3 Bespoke

Generally suitable for homes
100+ years old

Suitable for: period timber frames,
thatched roofs, listed properties,
extensively altered properties



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Commercial Building Surveying



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The House Surveyors

We also carry out RICS Home Surveys
and valuations for residential properties

thehousesurveyors.co.uk