



# Worcestershire Commercial Property Market Report 2022





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The Worcestershire commercial property market has always been resilient and no more so than during 2021 as the industrial/warehouse and to a lesser extent the office market has learnt not just to live with Covid but to thrive!

This year's report is dominated by the lack of commercial property stock in the county and record levels of demand from small, medium and large businesses in and outside the county looking for more commercial space.

The low level of transaction levels in most of our regions within the county could be interpreted wrongly as an indication of low levels of demand but this couldn't be further from the truth. Quality of space and location are top of the shopping list for office occupiers across all six sub-markets and demand for warehouse accommodation remains sky-high.

Every week our agency team receive calls from individuals or well-established businesses who want to buy or rent modern office or warehouse accommodation in the county. They are often staggered to hear that when good quality property does come onto the market there are often four or five interested parties who are competing with each other to buy and rent good quality space. Given the buoyancy of the market, it is becoming increasingly advantageous for businesses to use an experienced local Chartered Surveyor to seek out the best opportunities both on and off-market.

There are clearly external factors this year that may come into play which could impact on the national commercial property market and the Worcestershire commercial property market. These include (but not exclusively) the rise in inflation, the effect on interest rates, the alarming rise in construction costs and the bottleneck caused by Covid for further allocation of commercial land.

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** Confidence has returned to all sectors following COVID-19 pandemic
- 2** Office take-up back to 2018 levels, although rents have stabilised
- 3** Highest yearly industrial take-up by sq ft ever, with rents on the rise
- 4** Average deal sizes remain stable in both office and industrial markets
- 5** Lack of freehold opportunities led to high capital growth in all sectors and submarkets



# Making Worcestershire a Connected, Creative, Dynamic Economy For All

## Getting Building Fund to Boost Economic Growth

Worcestershire is a county which has an enticing offer for those looking to get the best of urban and rural life.

The Worcestershire Local Enterprise Partnership (LEP) works closely with various partners across the county to deliver and promote various projects and programmes which are helping to create their vision - "A connected, creative, dynamic economy for all."

A focus on some of the Worcestershire LEP's work has been on supporting businesses with property availability across the county. The Worcestershire LEP have been leading work on the county's Getting Building Fund projects.



These are shovel-ready infrastructure projects designed to boost economic growth and fuel local recovery and jobs as part of the £900m Government's Getting Building Fund, announced in Summer 2020.

The LEP secured a phenomenal £12m allocation for Worcestershire to improve the County's digital & physical infrastructure and connectivity; environmental sustainability and decarbonisation agenda and increase opportunities for business growth. This investment will also attract a further £30m of public sector match funding and is set to deliver a welcome boost to the local economy.

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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](http://www.wlep.co.uk/current-projects/getting-building-fund)

### 3 Examples of Projects Being Supported Across The County

#### Vale Business Park Expansion

Back in 2020, GJS Dillon's Worcestershire Commercial Property Market Report identified a shortage of commercial property suitable for small to medium enterprises (SME) and the requirement for new development (sub 25,000 sq ft) to support this market.

The Vale Park Expansion project will support the growth potential of between 7-10 small to medium businesses, through the delivery of 10 industrial starter units on land owned by Wychavon District Council and help fill the identified gap in the market for small-medium scale quality commercial space.

#### Malvern Technology Park

The ambition for Malvern Technology Park is to create a knowledge and innovation based, sustainable business environment, of regional and international reach and merit, to attract inward investment and provide capacity for maturing incumbent companies to expand locally. In turn this will further support the growth potential of Worcestershire's Cyber, IT and Defence target sector and retain high value jobs locally.

#### Rural Gigabit Connectivity

Alongside the needs of infrastructure, there is a growing need for digital connectivity across the county. This local project through the Getting Building Fund will improve digital connectivity for Worcestershire's rural and hard to reach communities and businesses and help meet the Government's target of 85% Gigabit capable broadband by 2025.

# The County's Business Champions

Worcestershire has plenty to offer businesses and alongside the packages mentioned, businesses in the county are also supported by the Worcestershire Growth Hub, the county's business support hub.

The Worcestershire Growth Hub team are on hand to help businesses of any size with starting a business, to growing, running or even funding a business.

The team are your business champion, working extensively to support Worcestershire businesses with delivering support programmes and promoting grant funding as well as much more, all to ensure businesses are given the support they need to help them grow.



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](http://www.worcestershiregrowthhub.co.uk)

## Worcestershire's Commercial Technology Accelerator

With developments to the Malvern Technology Park mentioned earlier, technology and encouraging innovation within business is another ambition of the Worcestershire LEP's. To lead this forward, BetaDen, Worcestershire's Commercial Technology Accelerator, is based at the Malvern Hills Science Park and is successful supporting cohorts of businesses to develop their technology products and services, accelerating them to being market ready.



The BetaDen team have successfully worked with 4 cohorts of businesses and have supported them to take their products to market with landmark contract wins for these businesses from the likes of HS2, the NHS, Amazon and Royal Mail.

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 the Worcestershire LEP website [www.wlep.co.uk/current-projects/worcestershire-5g](http://www.wlep.co.uk/current-projects/worcestershire-5g)

To find out more about BetaDen, visit [www.beta-den.com](http://www.beta-den.com)

## Inspiring Young People's Career Options

Alongside the developments through the Getting Building Fund programme, the Worcestershire LEP continues to deliver projects to ensure Worcestershire is an attractive place for businesses. One aim is to inspire and inform young people about the variety of career options available within the county.

To support this ambition, the Worcestershire LEP and Worcestershire County Council have launched the Worcestershire Jobs website. This new website simplifies the process of searching for jobs, training courses and further educational routes and apprenticeships by listing them all in one easy to use place.

Gone are the days of trawling across multiple job websites, Worcestershire Jobs collates all the local Job information and lists it in one place. Users can even filter the results based on their interests or key skills.



Discover more about Worcestershire Jobs and the LEP's Skills programmes by visiting [www.wlep.co.uk/current-projects/employment-skills](http://www.wlep.co.uk/current-projects/employment-skills)



For more information visit [www.wlep.co.uk](http://www.wlep.co.uk)



# Commercial Property and Pensions

Over a number of years pensions have undergone numerous iterations along with structural and rule changes. The underlying value and intent of pensions has also evolved from simply providing individuals with a means of funding their later life expenditure but to also include valuable estate planning benefits, the ability to invest in a wide range of asset classes and even offering the ability to provide financial leverage as I will detail later. One of the most interesting asset classes that can be invested in through a pension scheme is commercial property.

## Why use a pension to purchase and hold commercial property

There are two particular Defined Contribution pension arrangements which can purchase and hold commercial property as an asset. These are the Self Invested Personal Pension (SIPP) and the Small Self-Administered Scheme (SSAS). A SSAS is an occupational arrangement and is therefore governed by a corporate trustee (who are also the members) whereas a SIPP is an individual arrangement and is typically setup as a trust with the pension provider being the trustee. The difference in structure generally infers more flexibility for a SSAS in respect of decision making but this is not always required to achieve the pension holders' objectives.

One of the key advantages of making pension contributions into a Defined Contribution scheme are that the individual members receive tax relief on contributions at their highest marginal rate of income tax, employers are able to receive corporation tax relief on their contributions and once invested, the funds can grow in a tax efficient environment. When considering property this means the purchase price is subsidised via tax relief. If leasing a commercial property to your own business, then the rental payments are also an allowable expense for corporation tax. In addition to these tax benefits, pension funds can also be left to any nominated beneficiary and do not attract Inheritance Tax upon the death of a member.

Within defined contribution pensions it is possible to hold commercial property directly within a pension fund itself. A good reason for doing this is that rental income and capital appreciation will not be taxable. There is a wide variety of types of commercial property that can be purchased. These range from the more traditional shops, office and industrial units to land, hotels and care homes as well as more unusual properties. It should be noted that residential property can not be held in a pension, but land can be held which is seeking planning permission.

You can purchase the property from a third party in the open market or from yourself personally or your company. This can be the whole of the property or a partial purchase. This flexibility can help with cash flow for the individual or company

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if they intend to sell the existing property to their own pension scheme. If purchasing from a connected party, then an independent valuation is required to ensure the scheme is purchasing the asset at market value. Nonetheless, there is a significant amount of flexibility on what can be purchased, from whom and in what proportion.

## Funding

The funding of a property purchase can be facilitated in several ways. The simplest is to use existing pension funds which may require consolidating several arrangements. It is also possible to make substantial contributions either personally or from a company to get the required funds into the pension scheme. Broadly this can be up to £40,000 per annum per individual (the annual pension allowance) but there is also the ability to carry forward this allowance, if not already used, from the previous three years giving many the ability to pay a lump sum of up to £160,000.

In addition, rather than utilising a single SIPP to purchase the commercial property, multiple SIPPs can also be used jointly to own a single property and any rent received and future capital growth would be distributed proportionally in accordance with the amount each SIPP paid towards the purchase price. As a SSAS can be a multi member scheme it can pool the funds of its members to achieve the same outcome.

It is also possible to borrow within the scheme to purchase commercial property. Technically funds can be borrowed from anyone but commonly it is from a banking organisation and the debt is repaid from the rent received. This is a debt of the scheme and not the individual or company. The amount of which a pension scheme can borrow is 50% of the scheme's net fund immediately before the borrowing is taken which itself must be on commercial terms.

By way of example, if David has a SIPP worth £400,000, he could borrow an additional £200,000 to fund the purchase. If existing borrowing is in place this will reduce the amount that can be borrowed. In this example, if the pension had already got borrowings of £100,000 the maximum it could then borrow is an additional £50,000 as the maximum borrowing is based on the net assets of the scheme (£400,000-£100,000 borrowing gives £300,000 so the maximum borrowing including the existing loan is £150,000).

“One of the most interesting **asset classes** that can be invested in through a **pension scheme** is **commercial property**”

## Summary

Utilising SIPPs or SSASs to purchase commercial property can be extremely advantageous and flexible and should be carefully considered in line with an individual's specific circumstances and always with their longer-term objectives in mind. If you are thinking of purchasing a commercial property or just want to have a chat about how you can invest your pension scheme, please give us a call for an initial no obligation chat.

Of course, with every course of action there can be disadvantages. Property, whether held in or out of a pension, is an illiquid asset and thought needs to be given to how funds are accessed, especially the entitlement to tax free cash. Although it is possible to hold the commercial property right through retirement paying out the income, there can be void periods and there are also some additional costs associated with buying within the pension and an added layer of complexity.



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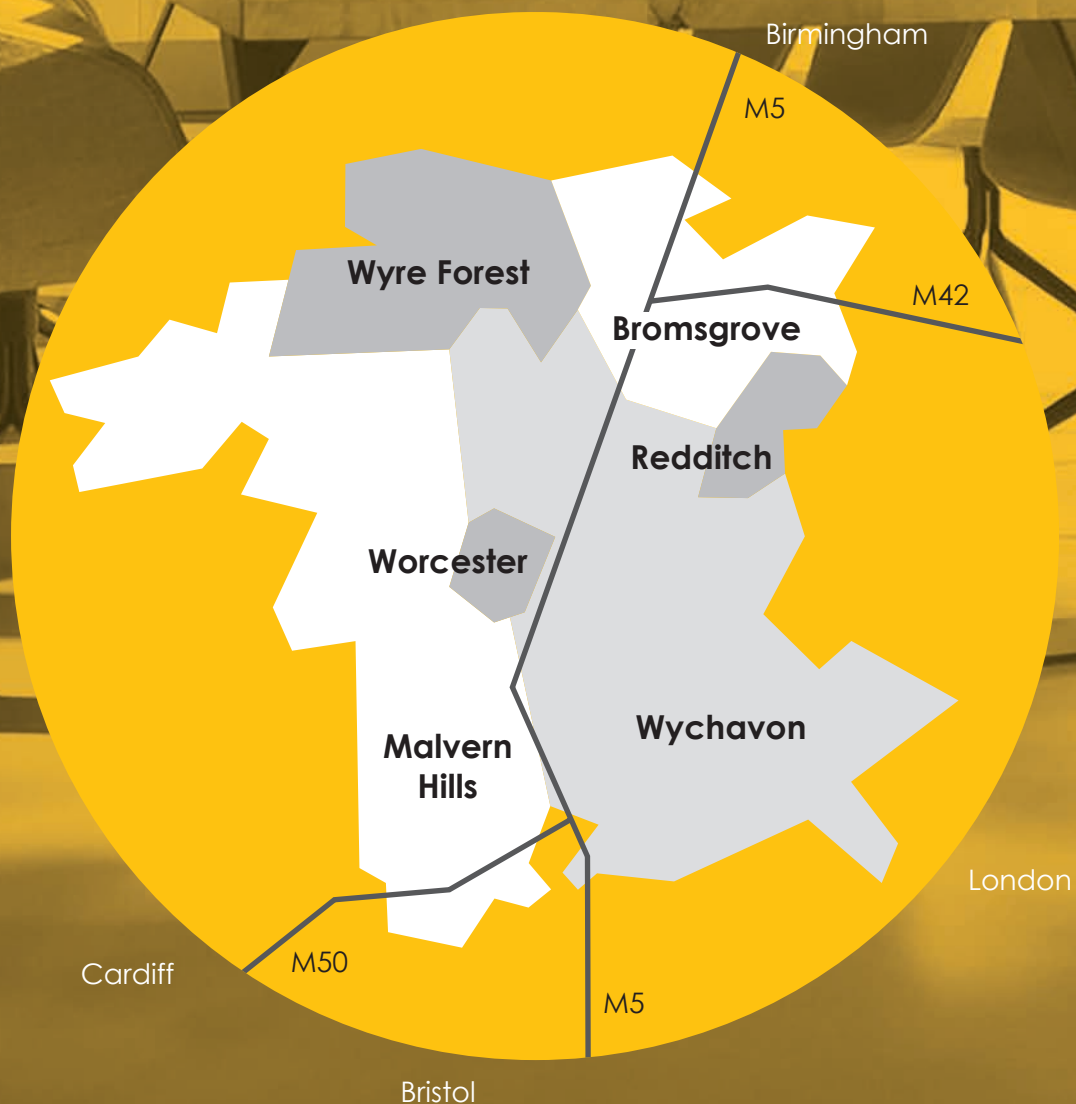
The current favourable tax treatment for pension saving is subject to change in the future and may vary according to your individual circumstances. With a SIPP it is you or your investment advisor who is responsible for the investment decisions and you should always discuss your attitude to risk/taxation position with your advisors.

The pension wrapper may contain an asset which may be hard to value or sell at the time and price intended. In particular, property investments may take considerable time to sell. Tenants in the pension funds property may become unable to pay their rent. As a result, the pension funds income may be impacted and further costs incurred.

Property values can go up and down and in extreme market conditions property values may move more significantly than bonds or shares. Valuations are determined by independent property experts. The valuation of a property is generally a matter of a valuer's opinion. The amount raised when a property is sold may be less than the valuation.

# Office Sub-Markets 2021

	Total Take-Up (ft <sup>2</sup> )	Vacancy Rate	Avg. Deal Size (ft <sup>2</sup> )
<b>Bromsgrove</b>	46,839	3.0%	1,952
<b>Malvern Hills</b>	1,699	5.5%	850
<b>Redditch</b>	25,365	3.9%	2,537
<b>Worcester</b>	50,103	3.0%	2,178
<b>Wychavon</b>	31,058	1.7%	1,725
<b>Wyre Forest</b>	6,789	0.9%	1,697



# Bromsgrove

Bromsgrove

46,839

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

3

Vacancy Rate (%)

1,952

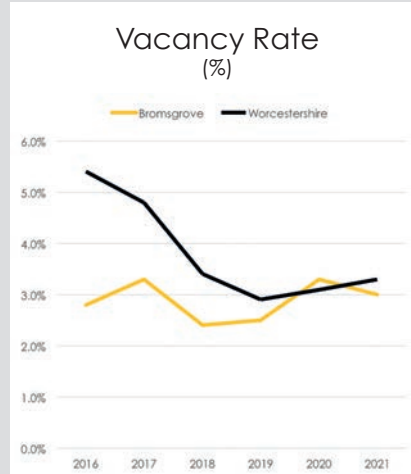
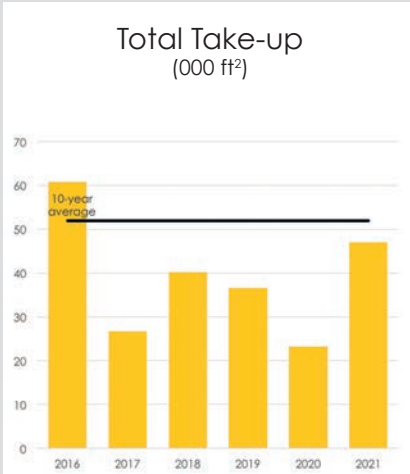
Average Deal Size (ft<sup>2</sup>)

+3.7

Avg. Deal Size vs.  
10 Year Average

18.70

2021 Headline Rent  
(£ per ft<sup>2</sup>)



Bromsgrove's office market returns with a bang, as transaction volumes are the highest since 2016 and occupiers look to move out of Birmingham.

## Demand

Following a 40% fall in take-up between 2019 and 2020, the office market in Bromsgrove responded strongly in 2021 with take-up being over double that in 2020 and out-performing pre-pandemic levels.

This strong performance wasn't simply because of a landmark transaction, with the number of transactions being over 20 for the first time since 2016. Key deals include lettings around the Buntsford Gate development and on Bromsgrove Enterprise Park.

## Supply

Availability is up by 36% from a year ago at just below 70,000 sq ft, leading to a 24 month supply levels, a figure which is double that of the 2019 pre-pandemic level. Therefore despite take-up responding positively, the amount of empty office space is high.

Of this 70,000 sq ft, there is a large amount of Grade A space. Whilst Bromsgrove presents an excellent opportunity to Birmingham occupiers, the pricing of this space may be off-putting to local occupiers.

## Rental and Capital Values

Headline rents have stagnated since 2019, following a period of high growth. This is linked to the caution shown by local occupiers to commit to high rental overheads amidst the uncertainty that still lingers. Average rents have also stagnated and we see this as a result of the amount of choice that is currently available to occupiers.

Capital values have recovered well in Bromsgrove, with the average sales returning to pre-pandemic levels. This comes as a result of the freehold stock shortage, with there being one freehold office opportunity on the market at the start of this year.

## Outlook

It is evident that confidence has returned to the Bromsgrove office market, as shown in the take-up figures. As the amount of available space decreases, we expect to see rents rising again for both Grade A and average stock. This rise is already being seen in the freehold market where opportunities are scarce.

# Malvern Hills

# 1,699

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

# 5.5

Vacancy Rate (%)

# 850

Average Deal Size (ft<sup>2</sup>)

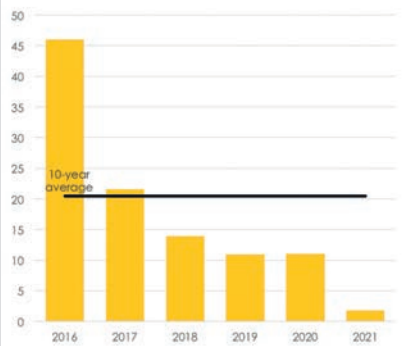
# -62

Avg. Deal Size vs.  
10 Year Average

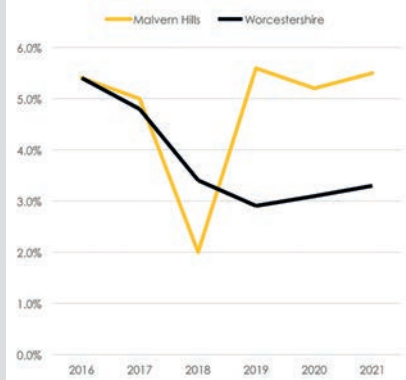
# 15.85

2021 Headline Rent  
(£ per ft<sup>2</sup>)

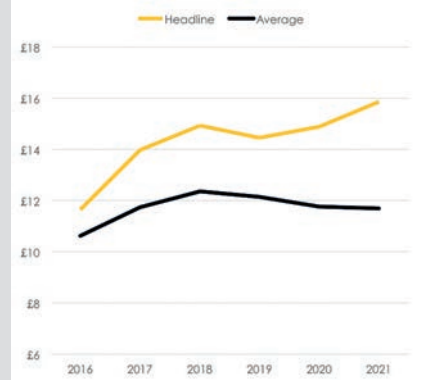
Total Take-up  
(000 ft<sup>2</sup>)



Vacancy Rate  
(%)



Headline Rent  
(£ per ft<sup>2</sup>)



Take-up looks to soar in 2022 as space which is under offer completes, putting pressure on the need for modern quality office space to satisfy the increased interest from tech occupiers in the district.

## Demand

Having the smallest total stock size limits annual take-up in the Malvern Hills district and makes performance susceptible to a handful of transactions. In 2021 there were no freehold office transactions according to our data source, along with only a few leasehold transactions, leading to the lowest take up in 10 years.

This is set to change as at the start of 2022 over 10,000 sq ft of office space was under offer at Enigma Commercial Centre on Enigma Business Park.

## Supply

Availability has fallen slightly to just over 70,000 sq ft, with this figure being inflated by the Bernard Lovell Building – 64,312 sq ft of office space on Malvern Technology Park that is available to lease.

The supply pipeline also looks to grow stronger as the most recent phase of the Malvern Hills Science Park comes forward.

## Rental and Capital Values

Average market rents have decreased slightly for the third consecutive year, with headline rents increasing for the third consecutive year. This shows the disparity between dated stock and Grade A space, perhaps showing the opportunity that could come from refurbishing ageing space.

The average sales rate has remained static at just below £140 per sq ft, reflecting the limited number of freehold transactions.

## Outlook

The Malvern Hills office market has a lot to shout about; offering a quality work life environment, identity within the technology sector and improving road connections to the M5. This momentum needs to be captured in the office market by creating more quality spaces for businesses within and outside of the district to move to.

# Redditch

Redditch

ff<sup>2</sup>  
**25,365**

Total Take-up (ff<sup>2</sup>)  
Freehold and leasehold

%  
**3.9**

Vacancy Rate (%)

ff<sup>2</sup>  
**2,537**

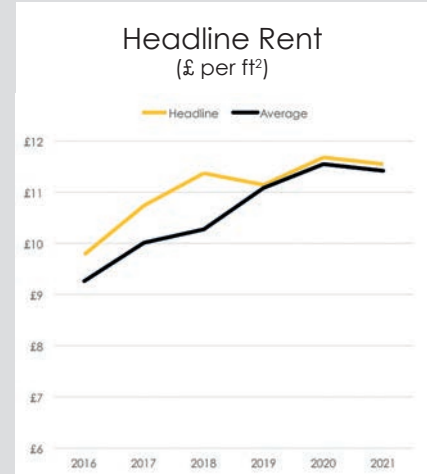
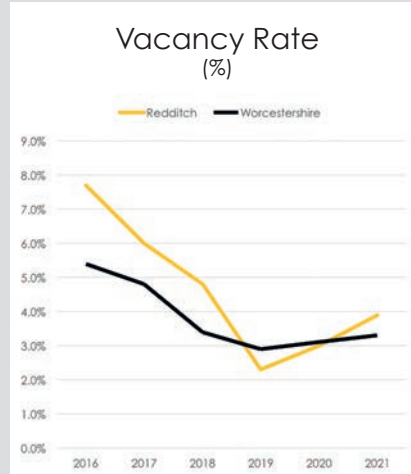
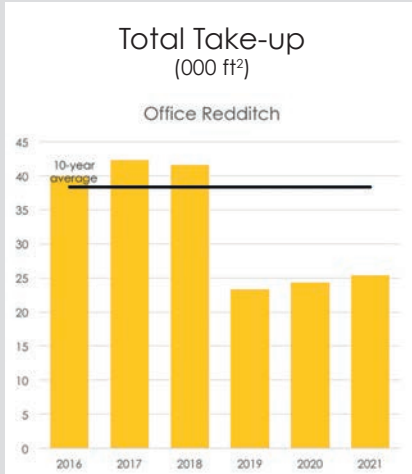
Average Deal Size (ff<sup>2</sup>)

%  
**+14.2**

Avg. Deal Size vs.  
10 Year Average

£  
**11.55**

2021 Headline Rent  
(£ per ff<sup>2</sup>)



An injection of new office accommodation is needed to restore the gap between average and headline rents, with take-up levels and vacancy rates further justifying this requirement.

## Demand

Take-up remained consistent with 2019 and 2020, showing the value occupiers place on being in close proximity to Birmingham city centre and the M42 motorway. These locational benefits also mean there is demand from businesses looking to relocate out of Birmingham; which explains why Redditch has the largest average deal size within the county, with large regional businesses taking space in the area.

Vacancy rates have tracked in line with the county average since 2019.

## Supply

Redditch has presented a good number of freehold opportunities over the past two years with the percentage of freehold transactions being 33% in 2020 and 20% in 2021, compared to the county average of 12.5% in 2021. This is encouraging given the strong presence of institutional occupiers in Redditch.

A shortage of supply of modern office accommodation has caused the disparity between headline and average rents to decrease to almost nothing.

## Rental and Capital Values

Average rental levels remain strong in relation to headline rents, perhaps owing to the increased competition for good quality space. Although both have remained static since the increases seen pre-pandemic.

Owner occupiers have continued to compete against the investment market, leading to the average sales rate being among the highest in the county, surpassing £150 per sq ft.

## Outlook

If Redditch is to build on the momentum of attracting businesses from Birmingham and the M42 corridor, it needs to address the availability of good quality space. Demand is there from larger occupiers, making new developments in Redditch more viable than other submarkets.

# Worcester

Worcester

50,103

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

3

Vacancy Rate (%)

2,178

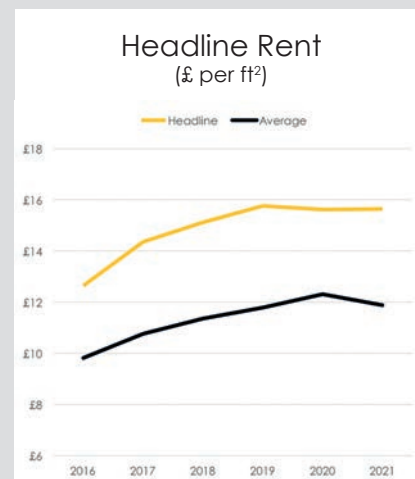
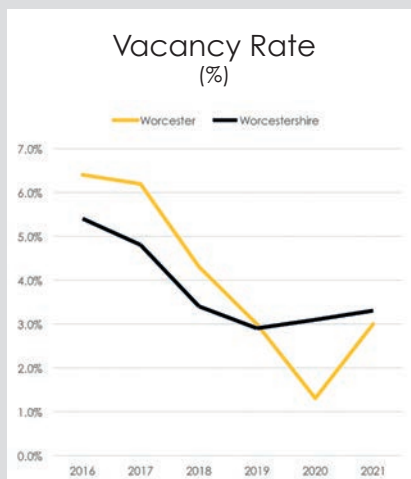
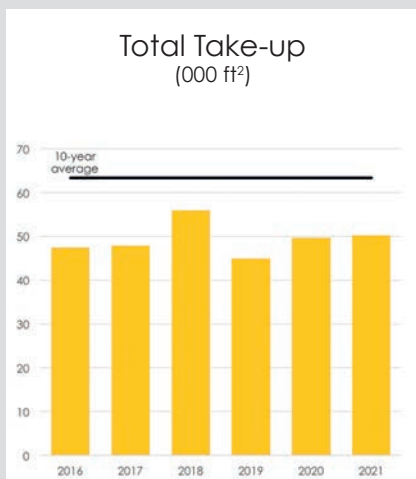
Average Deal Size (ft<sup>2</sup>)

-5.8

Avg. Deal Size vs.  
10 Year Average

15.65

2021 Headline Rent  
(£ per ft<sup>2</sup>)



Office occupiers want to be back in the city centre as they look to create a working environment for their employees that offers a different experience to the home office.

## Demand

Take-up has been marginally increasing year on year since 2019 and has remained one of the most consistent over the past five years. The average deal size has also increased slightly, with the most notable transaction being the sale of Prospect House on Midland Road, a 14,816 sq ft office.

Significant demand has come from occupiers looking to be on or close to the High Street, as employers are realising that the amenities and transport networks in the city centre are drawing new and existing staff into the office.

## Supply

Availability is higher on the out of town office parks than in the city centre, with space around both Junctions 6 & 7 being available to let and buy. This space tends to be well in excess of the average deal size of 2,178 sq ft, a market which is still yet to fully recover.

There is a huge opportunity to bring modern office space along the Southern Link Road and to the west of the River Severn.

## Rental and Capital Values

Both headline rents and average rents have stayed static as a result of the pandemic. However when considered alongside the good take-up levels, this shows the resilience of the Worcester office market to the coronavirus pandemic.

Average sales rates have remained consistent at around £150 per sq ft, however a section of this market is boosted by the sale of dated office space which has been sold for good levels with the potential to convert it to residential accommodation.

## Outlook

Successful small office schemes in the city centre, such as the Porcelain Works – where six brand new suites were let during the height of the pandemic, need to keep being brought forward. More schemes are needed to meet the requirement for businesses to be in the city, a move which would ultimately benefit the high street as well.

# Wychavon

Wychavon

**31,058**

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

**1.7**

Vacancy Rate (%)

**1,725**

Average Deal Size (ft<sup>2</sup>)

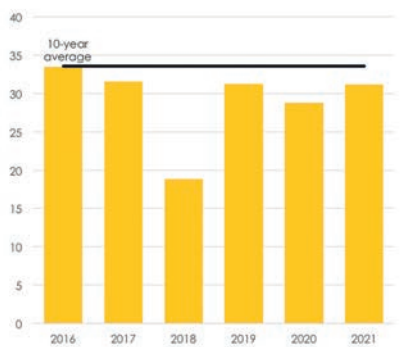
**+14.9**

Avg. Deal Size vs.  
10 Year Average

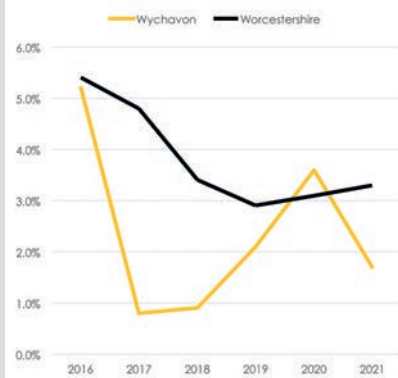
**16.57**

2021 Headline Rent  
(£ per ft<sup>2</sup>)

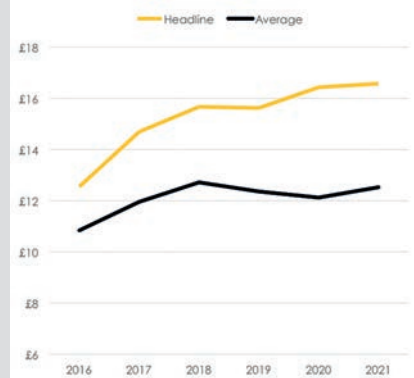
Total Take-up  
(000 ft<sup>2</sup>)



Vacancy Rate  
(%)



Headline Rent  
(£ per ft<sup>2</sup>)



Wychavon has addressed the SME market well and should now be looking to add game-changer office schemes to the successful industrial estates that have come forward.

## Demand

Like Worcester, take-up in Wychavon remained consistent in comparison to recent years and is the closest submarket to the 10 year average. A notable transaction includes the subletting of 9,505 sq ft of space in Norton, close to Junction 7 of the M5.

Out of the 18 transactions in 2021, 16 of these were in the sub 2,500 sq ft market, showing the demand in the district from SMEs and the value these types of businesses place on being in a well-connected, rural community.

## Supply

We predicted last year that Wychavon would become a draw to businesses looking to offer a rural, green working environment. Given the fall in vacancy rates and demand from SMEs, this is now happening.

The opportunities around the district's road network and Worcestershire Parkway railway station need to continue to be utilised, as these could attract talent from other counties and the wider West Midlands area.

## Rental and Capital Values

Wychavon is the only submarket to see both headline rental and average rental growth. This is reflective of the demand for well-connected space and the well presented rural space that the area offers.

The average sales rate is the highest in the county, as the strong owner occupier market looks to take advantage of preferential buying conditions, an example being the sale of Greenbank House in Hadzor, near Droitwich.

## Outlook

The district has the opportunity to bring more employment to the region through the development around major infrastructure points such as its motorway junctions, the A46 and Worcestershire Parkway Station. The data shows that consideration must be given to the SME market, who are very active and looking for space in the Wychavon area.

# Wyre Forest

Wyre Forest

6,789

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

0.9

Vacancy Rate (%)

1,697

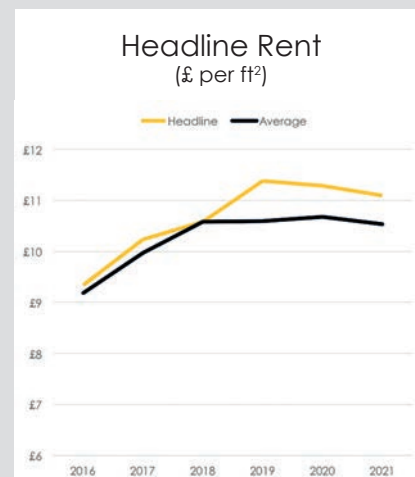
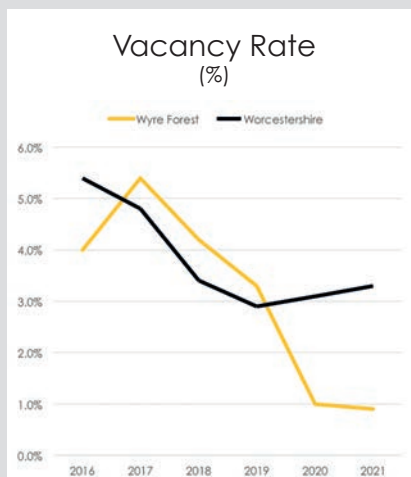
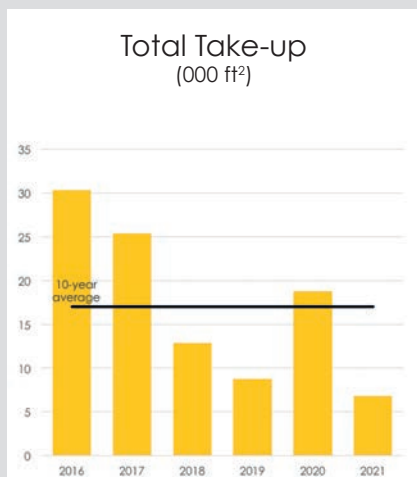
Average Deal Size (ft<sup>2</sup>)

-20.4

Avg. Deal Size vs.  
10 Year Average

11.09

2021 Headline Rent  
(£ per ft<sup>2</sup>)



The availability and sale of freehold opportunities demonstrate demand from this market with the Wyre Forest's vacancy rate being pushed to an all-time low.

## Demand

The Wyre Forest is the only submarket to outperform its 10-year average over the past three years, however take-up did slow down in 2021, perhaps reflective of the historically low vacancy rates and lack of quality opportunities.

The most notable transaction in the past 12 months was the letting of 4,245 sq ft of office space on Wilden Lane, which will ultimately be used as a gym. This demonstrates the benefits of the introduction of Class E and how space now appeals to a greater number of occupiers.

## Supply

Vacancy rates within the Wyre Forest office market have fallen to their lowest for a decade, to 0.9%, and are the lowest in the county. This presents a huge opportunity for developers to capitalise on the shortage of supply.

The Wyre Forest district has struggled to offer freehold options for occupiers, with only 14% of transactions in the past 10 years being sales.

## Rental and Capital Values

In comparison to other regions, there is a good opportunity for rental growth within the Wyre Forest, so long as good quality schemes are being bought forward. This has been shown in the industrial market where the introduction of new schemes has led to the highest percentage of rental growth in all districts.

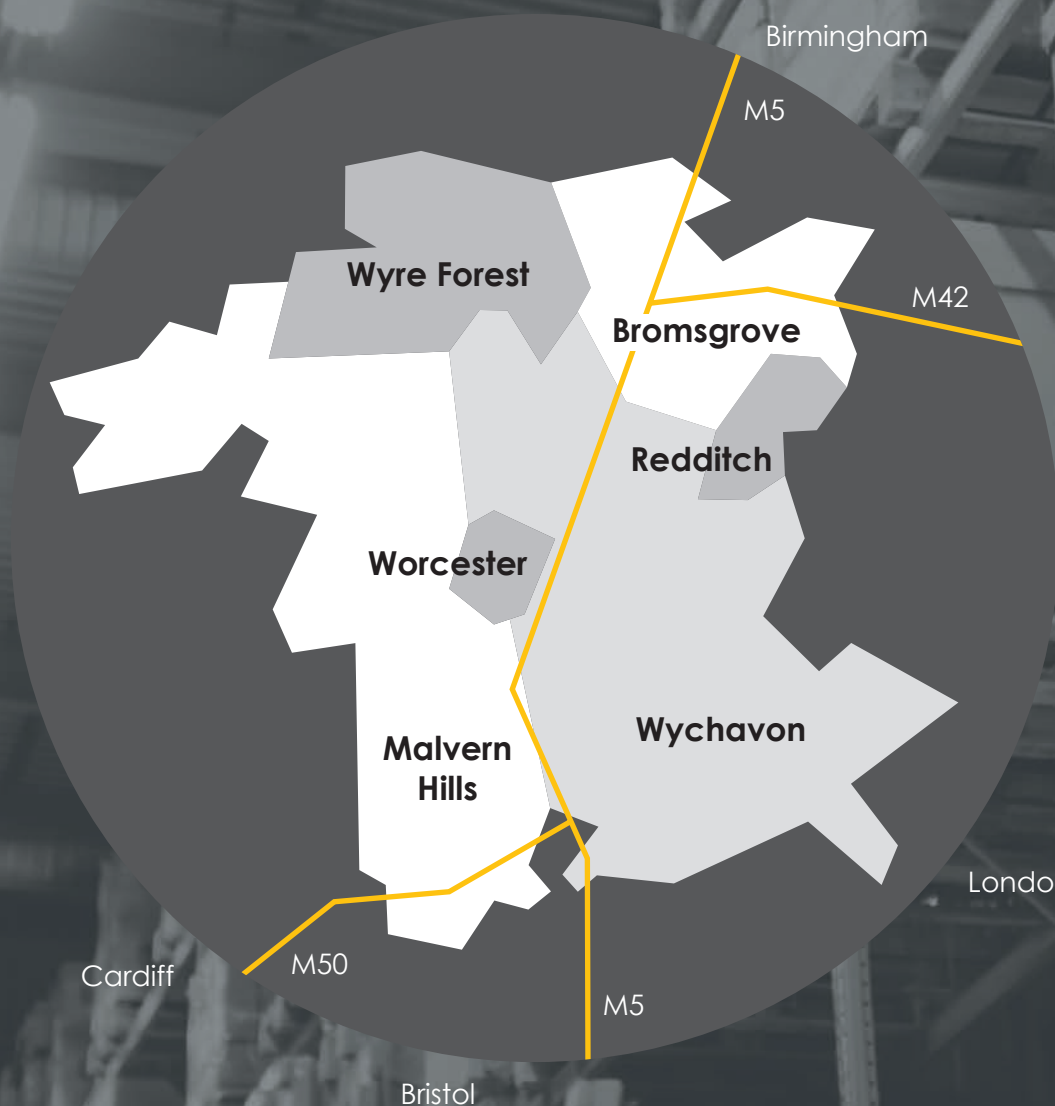
Average sales rates remain low in comparison to the rest of the county at £115 per sq ft. This reflects the dated stock and lack of freehold opportunities.

## Outlook

The Wyre Forest office market has performed well given the constraints of its market size and availability of modern office space. This performance should encourage developers to bring new space to the market.

# Industrial Sub-Markets 2021

	Total Take-Up (ft <sup>2</sup> )	Vacancy Rate	Avg. Deal Size (ft <sup>2</sup> )
<b>Bromsgrove</b>	65,754	4.9%	5,058
<b>Malvern Hills</b>	81,728	1.4%	6,287
<b>Redditch</b>	332,363	3.7%	14,451
<b>Worcester</b>	514,429	3.4%	25,721
<b>Wychavon</b>	628,632	1.0%	12,326
<b>Wyre Forest</b>	116,928	3.1%	6,496



# Bromsgrove

Bromsgrove

65,754

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

4.9

Vacancy Rate (%)

5,058

Average Deal Size (ft<sup>2</sup>)

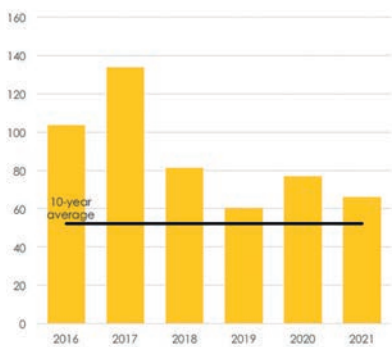
3.7

Transactions over  
10,000 ft<sup>2</sup> (%)  
past 10 years

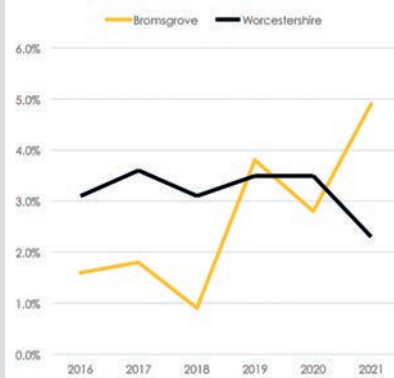
9.00

2021 Headline Rent  
(£ per ft<sup>2</sup>)

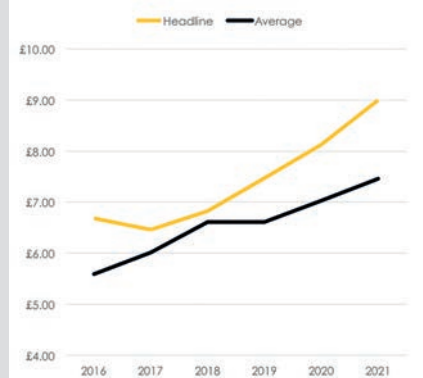
Total Take-up  
(000 ft<sup>2</sup>)



Vacancy Rate  
(%)



Headline Rent  
(£ per ft<sup>2</sup>)



The district has the highest average rent and highest capital values in the county, demonstrating the demand from SME businesses looking to exploit Bromsgrove's road connections.

## Demand

Take-up levels were consistent with the previous three years, however there were a handful more freehold transactions, with the freehold to leasehold split shifting from 9:91 in 2020 to 15:85 in 2021.

Despite there being two larger transactions, 12,856 sq ft on Harris Business Park and 15,601 sq ft on Aston Fields Industrial Estate, the average deal size fell by almost 2,000 sq ft to 5,058 sq ft.

## Supply

Availability levels are amongst the lowest in the county, particularly in the freehold market where demand from SMEs is extremely high. This pent up demand has led to an increasing number of off-market transactions achieving record figures.

Those properties that are coming to the freehold market are on the market for an average of 10 days before an offer is accepted. Rental options are also in short supply, particularly for modern space between 1,000 and 5,000 sq ft.

## Rental and Capital Values

In 2020 the headline rent pushed past £8.00 per sq ft for the first time, in 2021 it surpassed £9.00 per sq ft. This shows the demand from businesses looking for quality space and the competition that is out there for the space that does become available.

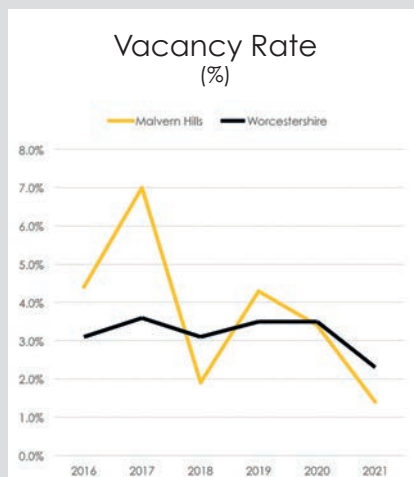
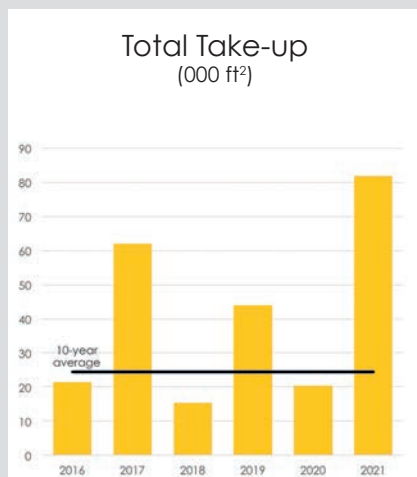
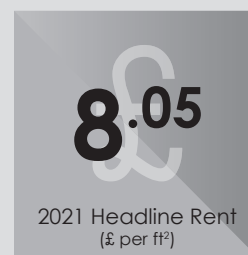
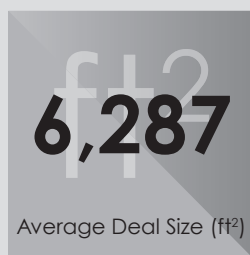
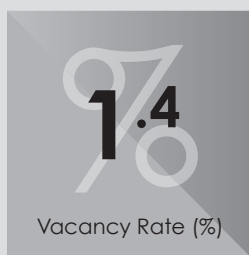
We expect capital values to surpass £150 per sq ft in 2022, as the availability of freehold space reaches unprecedented levels and buying conditions remain favourable.

## Outlook

There is no better time than now for property owners in Bromsgrove to sell or let their industrial accommodation. Last year we experienced record rental levels and capital values, it is unclear how sustainable these over inflated figures will be.

# Malvern Hills

Malvern Hills



Broomhall Business Centre is showing the opportunities that the improvements to the Southern Link Road are creating; these need to be exploited further within the district to help establish the Malvern Hills as a commercial destination.

## Demand

Take-up in 2021 was double the ten year average at over 80,000 sq ft. This was as a result of a 38,211 sq ft letting at Defford Mill in Earls Croome and the letting of four units at Mill Lane Industrial Estate in Eardiston, close to Tenbury Wells.

Transactions such as these give the area a huge boost despite its small market size. The total amount of industrial stock is 1,924,338 sq ft, compared to the second lowest (Bromsgrove) at 3,979,645 sq ft.

## Supply

Supply within the Malvern Hills district has increased dramatically as Phase 1 of Broomhall Business Park nears completion and Phase 2 is about to get underway. With this scheme offering quality newly built accommodation, this will have a positive impact on the take-up and average rents in the Malvern Hills district when these units complete in 2022. If we disregard this scheme, availability falls from 50 months to 15 months.

Although landmark schemes such as this are good for the district, smaller developments must also be considered in order to cater for the strong SME sector.

## Rental and Capital Values

Rental levels are increasing with headline rents getting close to £7.50 per sq ft and average rents being over £6.00 per sq ft for the first time. These figures will only improve as the new leases at Broomhall commence.

Capital values have remained static due to the limited number of freehold transactions in 2021. However with there being a strong bounce back in values the year before, now would be a good time to sell to take advantage of the limited freehold availability.

## Outlook

As infrastructure projects such as the Southern Link Road improve, attracting businesses to the area, opportunities must be made available to occupiers looking at all sizes and types of accommodation. More research and development space is needed to maximise Malvern's status as a tech hub.

# Redditch

Redditch

332,363

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

3.7

Vacancy Rate (%)

14,451

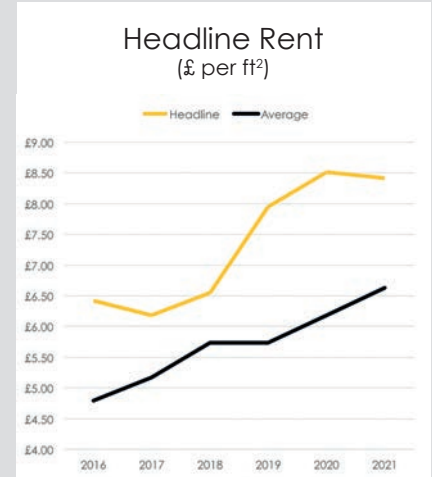
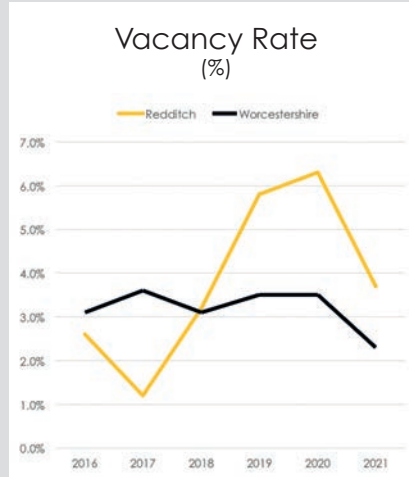
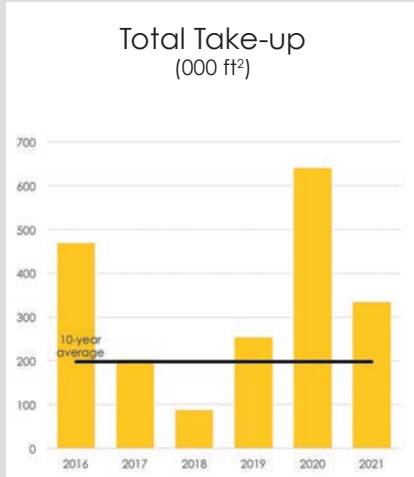
Average Deal Size (ft<sup>2</sup>)

19.7

Transactions over  
10,000 ft<sup>2</sup> (%)  
past 10 years

8.42

2021 Headline Rent  
(£ per ft<sup>2</sup>)



New developments have breathed new life into the Redditch industrial market. As they complete, the next schemes must be bought forward with an eye to continue to cater for the entire business spectrum.

## Demand

With 2020s take-up levels being buoyed by the 350,000 sq ft letting to Amazon at Redditch Gateway, 2021 levels returned to a level that was similar, albeit higher, than the three years prior. Notable transactions include lettings at the recently completed Velocity 42 scheme and the sale of 25,000 sq ft on Little Forge Drive, both being on Park Farm Industrial Estate.

The occupation of this space along with the first units on Redditch Gateway show the need to keep a pipeline of quality warehouse accommodation in Redditch.

## Supply

We have previously reported that supply levels in Redditch have been good across all sectors, with the likes of Crescent Trade Park and Enfield Industrial Estate satisfying demand from the SME market. However, these schemes are starting to become fully occupied which has led to a fall in the vacancy rate for Redditch.

As the availability of land decreases, the refurbishment of existing stock could provide the key to keeping the stream of quality space flowing.

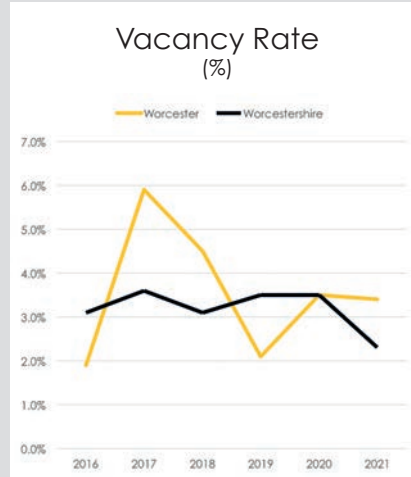
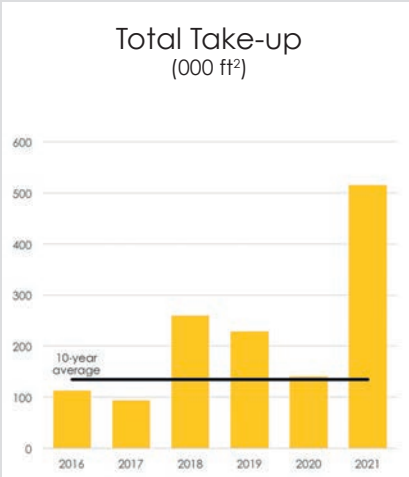
## Rental and Capital Values

Headline rental levels in Redditch have started to stagnate, having passed £8.50 per sq ft last year. However average rental levels have continued to rise in line with the county average of +7.50%. We expect average rents to pass the £7.00 per sq ft barrier in 2022, as occupiers continue to value being situated in Redditch.

Capital values remain strong, although the average sales rate did dip back slightly below £80 per sq ft due to the sale of a dated asset on Park Farm Industrial Estate.

## Outlook

Redditch has done everything right by bringing forward new developments for different sizes of occupier. This has attracted fantastic businesses to the area, a trend which can continue so long as the pipeline for new space remains in place.



Given the small geographical size of the Worcester submarket, it is impressive to see take-up levels being the second highest in the county. This is reflective of two large transactions and should not hide the fact that space must be made available to all occupiers.

## Demand

Similar to the effect the Amazon transaction had on the Redditch industrial market in 2020, the take-up levels for Worcester in 2021 were inflated by the 257,999 sq ft letting in Blackpole to Arrow XL and the 114,776 sq ft letting at Sixways Park to Super Smart Service.

There were 20 transactions in 2021 which is comparative to other years, with the ten year average being 23.8. It is worth noting that all 20 of these deals were lettings, with there being no recorded sales in 2021.

## Supply

Supply remains steady with space at Woodside Point, next to Shrub Hill station, and on Blackpole East having recently come to the market. However there is a limited amount of modern accommodation as developments such as Sixways Park and Nunnery Park are fully let.

Another fully let development includes the starter units at the Blackpole Enterprise Centre, which currently has a waiting list owing to the huge amount of demand coming from this market.

## Rental and Capital Values

After Bromsgrove, Worcester has the highest average rents in the county, showing the demand from occupiers to be centred around the city and its workforce. This is surprising as a lot of space has become dated, therefore showing the possible gains that could be made should this space be brought up to a modern standard.

Capital values have remained constant, but, with few transactions, any significant gains have been capped.

## Outlook

Whilst the mid to large box market has been catered for in 2021, the number of transactions in the sub 5,000 sq ft category was at its lowest since 2012. Worcester therefore needs to focus on providing space for the SME market which derives more value from being near an accessible workforce.

628,632

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

1

Vacancy Rate (%)

12,326

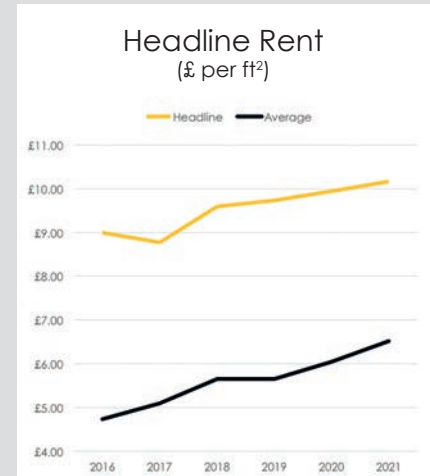
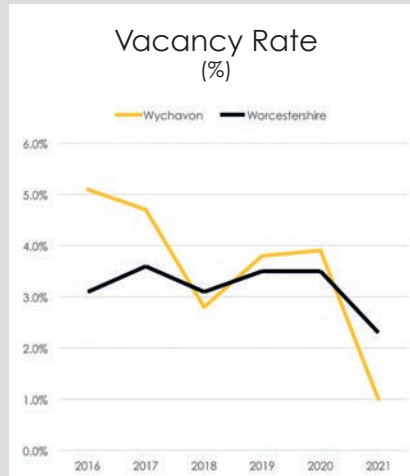
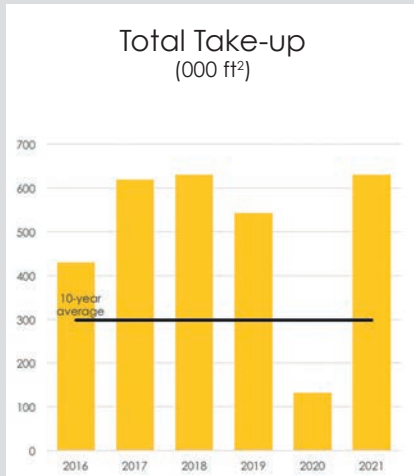
Average Deal Size (ft<sup>2</sup>)

19.8

Transactions over  
10,000 ft<sup>2</sup> (%)  
past 10 years

10.16

2021 Headline Rent  
(£ per ft<sup>2</sup>)



As new developments keep coming forward, Wychavon's figures keep improving. Consideration must be given to the future when these sites are fully developed, perhaps then being the time that existing space can be refurbished.

## Demand

Take-up in Wychavon was the highest out of all six submarkets and the highest ever for Wychavon. This is both on the amount of square footage that was transacted and also with the number of deals being 51 in 2021, the second highest ever was 49 in 2017.

It is encouraging to see that this demand was spread evenly over all size categories, with 23 being in the sub 2,500 sq ft bracket, 11 in the 2,501 to 5,000 sq ft bracket and 12 over 10,000 sq ft.

## Supply

Although the vacancy rate is currently low, supply levels will be boosted as the most recent phases of Worcester Six, Vale Business Park and Hartlebury Trading Estate come forward. These offer a good spread across what is one of the largest submarkets by geographical area.

Wychavon also needs to keep up the supply of smaller space, as shown by the success of Withy Wells Business Park and Salwarpe Business Park in Droitwich.

## Rental and Capital Values

In 2021 Wychavon became the first industrial submarket to surpass a headline rental level of £10.00 per sq ft. This was achieved on sub 1,000 sq ft space at the already mentioned successful small unit schemes across the district. Aside from distorting the figures, this shows that more small start-up units are required as demand is high across the county.

Alongside this, average rental values passed £6.00 per sq ft and capital values increased as a number of small units sold within the district.

## Outlook

Wychavon has set the standard by offering large game-changer sites alongside new smaller unit schemes suitable for SMEs. This has led to an even spread across all sizes of transactions and increases in headline and average rents.

# Wyre Forest

Wyre Forest

116,928

Total Take-up (ft<sup>2</sup>)  
Freehold and leasehold

3.1

Vacancy Rate (%)

6,496

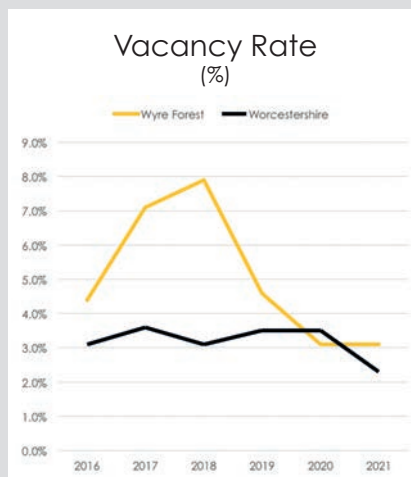
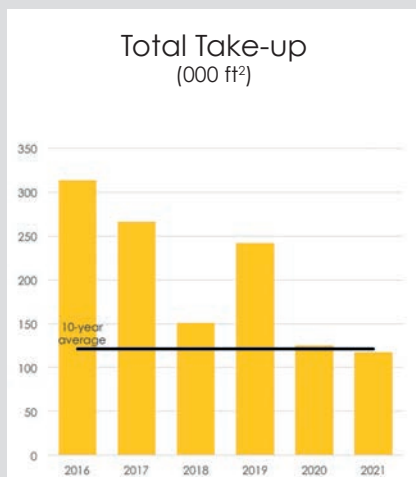
Average Deal Size (ft<sup>2</sup>)

22.9

Transactions over  
10,000 ft<sup>2</sup> (%)  
past 10 years

6.38

2021 Headline Rent  
(£ per ft<sup>2</sup>)



The Wyre Forest is delivering freehold and leasehold products for the market and in turn is achieving record rental and capital growth. This is creating better space for both existing occupiers and new businesses looking to relocate to the area.

## Demand

After the spike in 2019, take-up in 2021 tracked roughly in line with the years either side of 2019. The number of transactions for 2021 was 18, which is in line with the 10 year average of 19.4. What is encouraging for those looking to buy is the freehold to leasehold split of 39:61, which is high compared to the second highest submarket (Bromsgrove at 15:85).

Demand remains popular around the Stourport Road area, with there being notable transactions at Ratio Park and the sale of 9,673 sq ft on Foley Business Park.

## Supply

We are seeing a good supply of quality freehold options, such as the transactions at Ratio Park and the overwhelming off-market interest in new units at Bewdley Business Park. This is a great step forward given that only 15% of transactions in the ten years prior to 2021 were freehold sales.

There is also a good supply of quality leasehold options, such as the Wyre Forest District Council's new scheme at Forest Industrial Park in Kidderminster. With this scheme close to full occupancy at the start of 2022, it shows the need to keep supply levels up for the Wyre Forest market.

## Rental and Capital Values

After Bromsgrove, the Wyre Forest had the greatest combined headline and average rental growth out of all submarkets. This not only shows the demand for quality space, but also for secondary space, with the average rental growth being the highest of all submarkets.

The average sales rate shot up to over £85 per sq ft as quality space on Ratio Park transacted and new build space on Bewdley Business Park achieving in excess of £125 per sq ft.

## Outlook

The Wyre Forest industrial market has improved the most out of all districts in the past five years. In 2021 we saw new freehold and leasehold schemes come forward and opportunities being created across the entire business spectrum. This positive momentum could help justify the conversion of former manufacturing space to quality commercial accommodation.



# Guide to Acquiring Commercial Property

Finding the right commercial property is not easy, particularly at present when there is a record shortage of business accommodation on the market, with manufacturing, warehousing and distribution in particularly short supply. We believe that amateur property hunters are costing their companies thousands of pounds a year by not using a Chartered Surveyor to carry out the search and negotiate the terms when acquiring new business premises,

We offer a unique, specialist Business Relocation Service for organisations looking for industrial units upwards of 10,000 sq ft or for office accommodation upwards of 5,000 sq ft throughout Worcestershire and the wider West Midlands area.

## Why choose GJS Dillon

- ▶ **Tailored and innovative approach**
- ▶ **Full range of professional services in-house**
- ▶ **Local expertise**
- ▶ **Fully regulated by RICS**
- ▶ **Experienced acquisition specialists**
- ▶ **Excellent customer service**

### Off-market purchases

Many business owners are surprised by just how few available properties meet their needs and around 50% of industrial transactions take place off-market. We approach this hurdle by determining the general locations and specific buildings that are suitable for the client. We then investigate whether there is scope to secure premises off-market as well as accommodation being openly advertised.

### Rent negotiations

There is a common misconception that surveyors can only help to negotiate the rent on the lease. We are Acquisition experts in the Worcestershire Commercial property market and know exactly what should be paid and the level of incentives that a landlord is able to offer in terms of a rent free period or a stepped rental arrangement.

### Service charge costs

Rent only makes up around 60% of total property costs. We can advise on such matters as service charge costs, lease length, break clauses, alienation provisions and other contractual terms.

### Commercial Property Specialists

Our Agency team, Professional Services, Asset Management and Building Surveying teams are able to offer a complete range of services to clients. We acquire property for Private Investors, Pension Funds, property companies and well-known local and international brands. The GJS Dillon team has a proven track record for acquiring off market premises and for securing deals that are just not available to anybody outside the commercial property world.

### Fully Regulated

The firm is fully regulated by the Royal Institution of Chartered Surveyors and our Directors are fully qualified RICS members undergoing regular training in line with RICS Regulations.

### Ethos

The underlying ethos at GJS Dillon is to provide invaluable local knowledge and property expertise. Our outstanding professional and personal services is based on our extensive knowledge of the regional property market.

# 5 quick tips when looking for new industrial or office premises

## The right premises

Moving premises is a disruptive, difficult and costly time for any organisation. It is vital to get the specification right, as most businesses do not relocate often. We will carry out a space audit to determine your floor space requirements and find the best way for you to make a smooth transition, thus ensuring your business continues to grow with no interruptions

## Buy or rent?

Businesses must also consider whether to buy or rent. We can help you to weigh up the pros and cons on both sides of the buy/lease equation. These range from flexibility and capital commitment, through to tax breaks and financial incentives available to help cut the cost of the move.



## Timescales

It is vital to be realistic about timescales and to leave enough time for any contingency. It can often take between nine months and two years a new development to reach completion.

Furniture, equipment, plant and utilities can also be subject to longer lead-times than anticipated. Our acquisitions team has the expertise to guide you through these processes and help avoid costly mistakes during this crucial stage of planning.

Our acquisitions team has the expertise to guide you through these processes and help avoid costly mistakes

## Vacating an existing property

How easy is it to vacate an existing property? For example; do you know what the conditions are of any lease held and the requirements for notices and liabilities for dilapidations? Have you considered how long it will take to assign or sell any existing premises, depending on prevailing market conditions? What about exit costs and lease break penalties?

With a qualified in-house building surveying team we can advise on dilapidations/repair costs and provide all the professional advice you need to successfully vacate a property.

## Buying property for investment

We anticipate more SIPP and SASS Commercial property purchases in the next 12 months and beyond. But which is the best property to buy? For example, it is time wasted to consider premises if they will ultimately be too expensive to occupy or rent out. What about additional costs such as business rates, insurance and service charges? We work with clients to develop an investment management strategy to ensure they gain maximum value from their purchases.

## Acquisitions with GJS Dillon

For more information about our bespoke industrial and office acquisition service please speak to John Dillon or Andrew Lewis.

### Recent acquisitions

- ▶ The site for Barton Firtop's new 40,000 sq ft productions and warehouse facility in Kidderminster
- ▶ Etac's new 30,000 sq ft design and build warehouse facility on Hartlebury Trading Estate
- ▶ Acquisition of 65,000 sq ft of new warehouse accommodation in Redditch for international pet brand Fish 4 Pets



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