GJS Dillon

The Commercial Property Consultants

Commercial Property Market
2018/2019 Report

Worcestershire

Commercial Property Market
2018/2019 Report - Worcestershire

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As we move into 2019, Worcestershire remains a popular location for occupiers across the business spectrum, offering opportunities for all.

Being central within the country and benefiting from first class infrastructure has been reflected in the 2018 take-up figures, which has driven vacancy rates to a five year low and resulted in growth across all sectors.

More growth is predicted for 2019 as Worcestershire continues to be a great place to live, work, invest, visit and do business.

We at GJS Dillon are proud to be active within what is a vibrant and dynamic Business Community. Please contact our team of experts for further information.

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A Strong SME Market

Worcestershire boasts one of the strongest and fastest growing economies, based on the strength of its Small and Medium sized Enterprises (SMEs) which make up 99.7% of the county's businesses. It was the fifth best performing LEP area in England for economic growth from the low point of the recession in 2009 to the end of 2017, recording a real GVA growth of 21.6%.*

Thanks to its central location, access to the rest of the UK with its excellent transport links via M5, M42, M50 and A38, its flexible workforce and attractive lifestyle, Worcestershire has been incredibly successful in creating, attracting, retaining and growing SMEs.

It has been so successful that vacancy rates for business premises (industrial units up to 25,000 sq ft and offices up to 5,000 sq ft) for micro and small businesses (with up to 49 employees) are at a record low.

There is very little new build accommodation underway offering units of this size, so the challenge currently facing Worcestershire's property industry, LEP and County Council is how to develop the industrial premises and office space required.

Failure to meet this challenge will risk successful companies which have started and expanded in the county being forced to leave to find new, larger premises, and start-up enterprises looking to neighbouring counties for their first accommodation.

Fortunately great progress is being made by developers like St Modwen's at its office schemes on the former DEFRA site in Worcester, as well as with new initiatives to develop the much needed smaller business units around Worcestershire's six motorway junctions, and to encourage the conversion of redundant retail units to offices in town and city centres.

Registered Businesses in Worcestershire by Employment Size (2018)

	Number of staff				
	Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)	Total
Bromsgrove	9,190	835	120	15	10,155
Malvern Hills	4,100	475	75	10	4,655
Redditch	2,635	535	130	20	3,325
Worcester	3,150	625	165	15	3,965
Wychavon	6,240	785	165	15	7,200
Wyre Forest	3,395	525	95	10	4,020
Worcestershire	28,710	3,775	750	96	33,325

Table: Figures by Worcestershire County Council Information, Analytics and Research Team

M5 Junction 6 Worcester North

M42 Junction 1 Bromsgrove

M5 Junction 5 Droitwich

M5 Junction 7 Worcester South

M42 Junction 2 Redditch

Motorway Junctions Key To Solving Worcestershire's Business Property Shortage

Allocating land around Worcestershire's six motorway junctions exclusively for employment usage could address the county's shortage of business premises which is particularly affecting micro and small enterprises which make up more than 97% of the county's businesses.

Junctions 4 to 7 of the M5 and Junctions 1 and 2 of the M42 provide ready-made, existing infrastructure around which to base new industrial and business parks offering a range of industrial units, from 1,000 sq ft to 25,000 sq ft and of offices from 500 sq ft to 5,000 sq ft to rent and to buy.

With the transport infrastructure already in place, costs to the public purse will be much lower than developing this much needed accommodation elsewhere in the county.

Successful office business parks, such as Topaz at Junction 1 of the M42 and Wildwood Triangle close to Junction 7 of the M5 show that it is possible to create new office developments providing smaller offices. Worcester Six at Junction 6 of the M5 demonstrates the possibilities of successful industrial development, but crucially new developments would need to provide smaller units.

*Source: ONS – "Regional economic activity by gross value added (balanced), UK: 1998 to 2017"
https://www.ons.gov.uk/economy/grossvalueaddedgva/bulletins/regionalgrossvalueaddedbalanceduk/1998to2017

Map Source: Google Earth

Office

Office rents in Worcestershire are increasing significantly faster than the national average, driven by high demand and low supply of office space.

The county's office market is experiencing 10% annual rental growth in comparison to average zero (0%) growth across the country.

Rental growth is being driven by a lack of choice of space, with a vacancy rate of 3.4%, and demand from occupiers who want to remain, grow and move to the county, to benefit from Worcestershire's growing economy, excellent communications, flexible workforce, sought after lifestyle, and help on offer from the LEP and Worcestershire County Council.

Practically no new office space has come to the market in the last 12 months, with only 161,000 sq ft of new office space presently under construction in the Worcester submarket. As a result, over the next quarter, we predict this rental growth will remain constant, but could increase if there is some certainty about the terms of the final Brexit agreement.

Interestingly, vacancy rates for prime office space are nearly double those for the rest of the market, which shows that occupiers continue to look for good deals, but with average office rents across the county at £12.25 psf, and prime space at an average of £19.00 psf, all office accommodation in Worcestershire looks very good value when compared to Birmingham and Solihull.

Rental growth, combined with low interest rates and banks willingness to lend, will continue to make commercial property attractive to both investors and owner occupiers where office freeholds become available.

Buyers can acquire commercial property at lower rates than the cost of renting, while sellers benefit from the high prices on the back of increased demand. It is rare that there's a market which benefits both parties, so we expect freehold sales activity to remain strong.

Industrial

Industrial property rents in Worcestershire will continue to grow throughout 2019 and beyond, driven by high demand and low supply of manufacturing, warehouse and storage space.

Industrial property rents are expected to grow on the back of one of the lowest vacancy rates in the country.

Industrial vacancies across Worcestershire are 3.1%, less than half the national average, caused by a healthy demand and a lack of new stock over recent years. However, when we break this down the vacancy rate the large industrial market is 5%, but only 0.5% for the smaller (less than 5,000 sq ft) and medium markets (less than 15,000 sq ft).

As a result we will see growth in both the average rents of £5.10 psf for the big shed market and of £6.75psf in the smaller and medium market.

There is significant demand for all sizes of industrial property, particularly freehold, where we have seen a 25% increase in enquiries in the past 12 months, however there are many fewer industrial premises for sale than for rent.

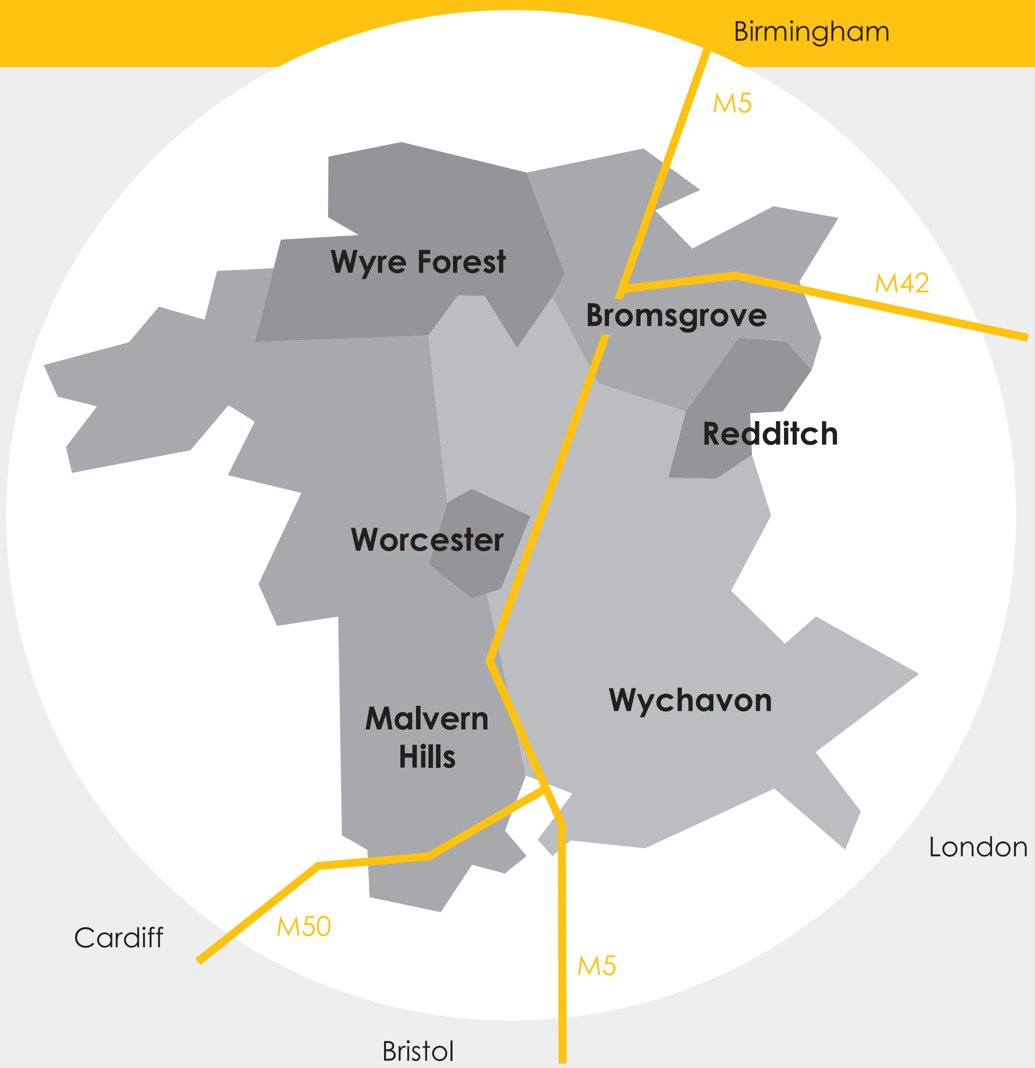
Developers have reacted to the shortage of industrial property, building 200,000 sq ft of new accommodation in the past 12 months, with a further 637,000 sq ft under construction. However, this is weighted very heavily to larger properties of over 45,000 sq ft.

Worcestershire LEP, property agents and developers are all aware of the current shortage of smaller units and are working together to see how more can be built. We hope to see the first results of this initiative sometime this year.

In the meantime there are still industrial units available, but occupiers needs to remain flexible on size and location, in order to find the best current fit for their business.

Office Sub-Markets 2018

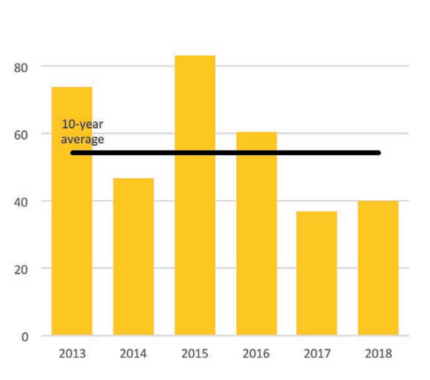
	Number of businesses	Total Take-Up (sq ft)	Vacancy Rate
Bromsgrove	10,155	40,130	2.4%
Malvern Hills	4,655	13,835	2.0%
Redditch	3,325	41,492	4.8%
Worcester	3,965	55,792	4.3%
Wychavon	7,200	18,744	0.9%
Wyre Forest	4,020	12,789	4.2%



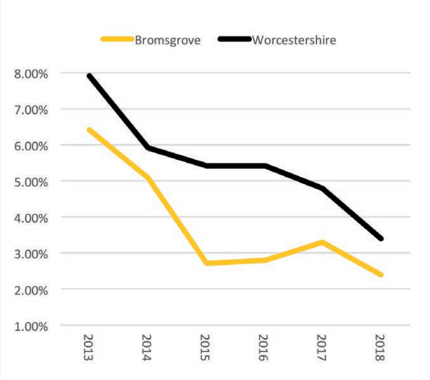
Bromsgrove

40,130 ft²	8	2.4%	£19.00	£144
Total Take-Up (Freehold and leasehold)	Months of supply	Vacancy Rate	2018 Headline Rent (per sq ft)	2018 Average Sales Rate (per sq ft)

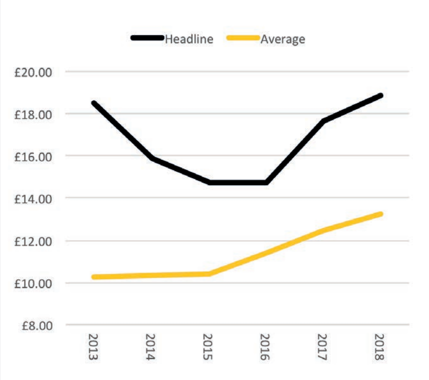
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Demand is largely centred around the motorway junctions and A38 corridor, however the office accommodation at the purpose-built Harris and Saxon Business Parks remain an ever popular product.

Take-up in 2018 exceeded 2017, although is still below the 10-year average – perhaps owing to the severe stock shortage, an issue that Bromsgrove District Council are aware of. The average freehold sale in the area is 2,550 sq ft and average leasehold transaction 1,771 sq ft, demonstrating the demand for small to medium units.

Supply

Availability across both the freehold and leasehold markets is down by over 50% from a year ago, at only 38,400 sq ft. The fact that Bromsgrove has only eight months of supply, the lowest in the county, underlines the major stock shortage.

Whilst there is little development in the pipeline, the issue has been recognised with an independent report being commissioned in order to address the limited availability of employment land. Bromsgrove's office market has traditionally catered well for SME businesses and the danger is the growth of these businesses may become restricted due to a severe lack of supply.

Rental and Capital Values

Bromsgrove's headline rent has traditionally been set by schemes abutting Junction 1 of the M42, such as Topaz. Further south along the A38 corridor rents have increased in line with falling vacancy rates and demand for well connected space, with occupiers paying premiums for well located, good quality accommodation.

The average sales rate has been distorted by the portfolio sale of Topaz, with well proportioned, quality office accommodation achieving well over £150 per sq ft in areas of high demand.

Outlook

With there being limited office accommodation in the pipeline and Bromsgrove proving one of the most popular commercial destinations in the Midlands for SME businesses, there is set to be a severe shortage of good quality space in 2019.

This will not only have a negative impact on take-up, but will push rental and capital values upwards as desirable space is fought over. We predict the average sales rate will push closer towards the £150 per sq ft mark as freehold purchasers continue to take advantage of attractive purchasing conditions. Any schemes introduced over the next 18 months ought to prove popular.

Malvern Hills

13,835 ft²
Total Take-Up
(Freehold and leasehold)

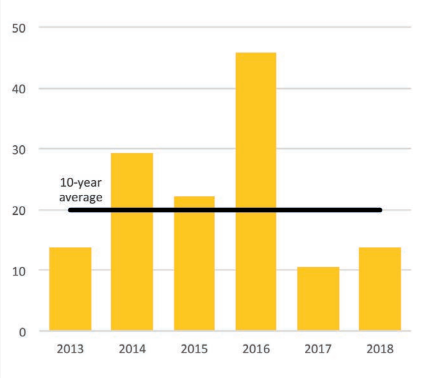
47
Months of supply

2.0%
Vacancy Rate

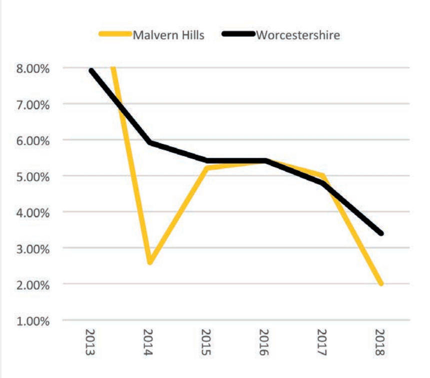
£15.00
2018 Headline Rent
(per sq ft)

£148
2018 Average Sales Rate
(per sq ft)

Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)

Demand

Across the six Worcestershire sub-markets, the Malvern Hills district had the lowest total take-up and tracked almost 50% below the 5 year average – it is worth noting that the 5 year average is distorted owing to the two large lettings at the Malvern Hills Science Park in 2016. Despite this, vacancy rates are low showing the popularity of the area, which has become synonymous with tech companies.

With the established presence of QinetiQ and the introduction of BetaDen and the Worcestershire 5G Testbed, it is no wonder significant demand has come from technology companies looking to join the expanding tech community.

Supply

Availability is up from a year ago by 54% at 90,900 sq ft, however this figure is inflated by the Bernard Lovell Building – nearly 50,000 sq ft of office space on Malvern Technology Park that is available to rent. Although this paints a false picture, there is some accuracy with the high supply pipeline in that the later phases of the local authority led partnership at the Malvern Hills Science Park are underway.

Rental and Capital Values

Malvern has an established identity as a tech centre and is doing well at addressing this demand, however with average rents pushing towards the upper end of the county wide scale, space must be made affordable in order to attract occupiers.

Average market rents are sitting just below £13.00 per sq ft, outperforming neighbouring Worcester and almost in line with the highly connected submarkets of Wychavon and Bromsgrove.

In keeping with the rental trends, capital values within the Malvern Hills district are also performing well in comparison to other submarkets. The average capital value of £148 per sq ft was distorted by the sale of Brunel House which was priced as a redevelopment opportunity.

Outlook

The Malvern Hills has capitalised on its past to create a tech hub unique to the Midlands. This inward investment has been noted and the development pipeline is reasonable. As more high-quality space comes to market, we expect rental and capital values to increase alongside the increased number of transactions.

As the identity of Malvern enhances, other employment sectors must not be ignored, with the need for affordable space being paramount. Malvern does not benefit from the connectivity of other Worcestershire markets. However it has created its own unique selling point by way of its dynamic business community. This must be preserved for all businesses, regardless of their sector or position in the business cycle, by providing affordable space for them to grow.

Redditch

41,492 ft²
Total Take-Up
(Freehold and leasehold)

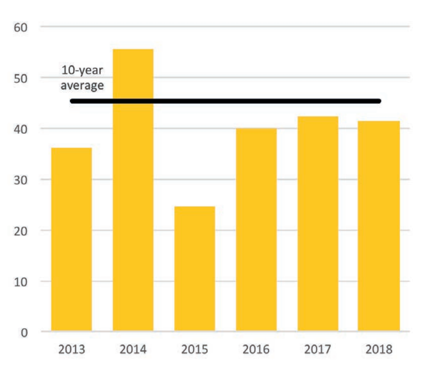
23
Months of supply

4.8%
Vacancy Rate

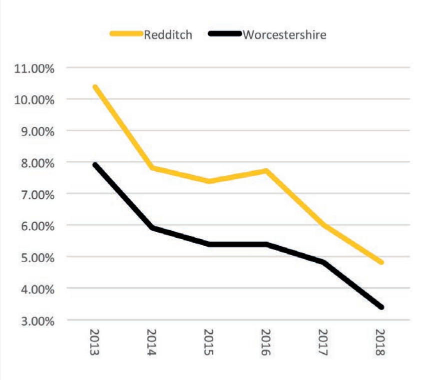
£11.50
2018 Headline Rent
(per sq ft)

£160
2018 Average Sales Rate
(per sq ft)

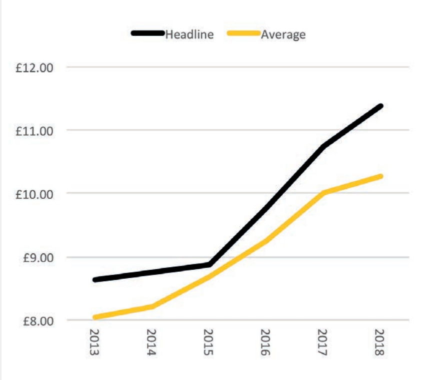
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

With Redditch lying approximately 12 miles south of Birmingham city centre, the town is popular with occupiers looking for similar connectivity at more affordable rates – with many occupiers relocating from Birmingham to the town. As such, the structure of the Redditch property market mirrors that of large cities, whereby the percentage of occupiers renting is higher than the county average; over 75% of transactions this year were lettings, which increases to almost 85% over the 10 year average.

With there being limited Grade A stock, competition for quality stock has driven rents values, while also having a knock-on effect on capital values.

Supply

Availability levels are broadly tracking where they were a year ago, being only 3% up at 76,600 sq ft. Mirroring the trends highlighted above, of what is available over 70% is leasehold, further demonstrating the popularity of Redditch with investors.

With investors typically looking at large stock (over the past five years almost half of all rental transactions have been for properties over 4,500 sq ft), the small to mid-range stock has become available for freehold purchasers, with owner occupiers being forced to pay premium prices for this limited asset type.

Rental and Capital Values

There is little disparity between headline and average rents in Redditch, owing to the lack of prime office space. With more space becoming obsolete, competition for well presented units has led to average rents pushing through the £10.00 per sq ft barrier.

As Redditch is the county's "hotspot" for investors, owner occupiers have faced stiff competition for freehold office premises. This has led to average sales rates being among the highest in the county, particularly in comparison to rental values.

Outlook

The biggest issue facing Redditch is the growing obsolescence of existing stock. Lack of Grade A accommodation increases the danger of reverse migration to other alternatives, such as Blythe Valley Business Park.

To tackle this issue in the short term, existing properties that have been refurbished to a high specification should command top rates and help increase the gap between headline and average values. Demand for this good quality accommodation is to come from both leasehold and freehold occupiers as other existing options lose their function or become obsolete.

Worcester

55,792 ft²
Total Take-Up
(Freehold and leasehold)

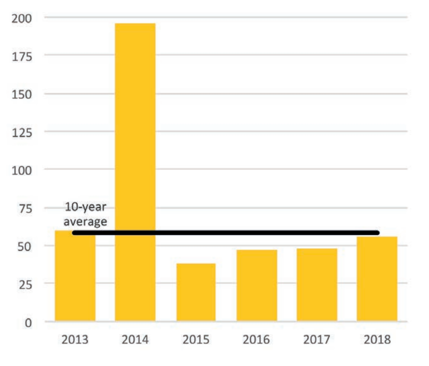
46
Months of supply

4.3%
Vacancy Rate

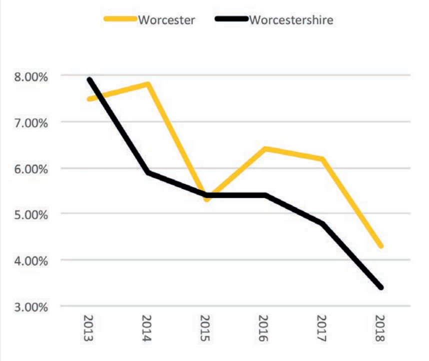
£15.00
2018 Headline Rent
(per sq ft)

£147
2018 Average Sales Rate
(per sq ft)

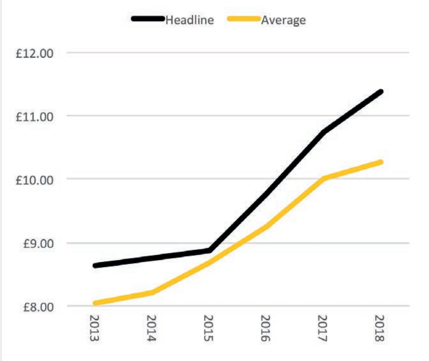
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Worcester is geographically split with the River Severn creating an eastern and western side. With the eastern side being adjacent to the M5 motorway and having access to the majority of the country, this has stimulated development; evident in the fact that over the past five years only 7.5% of office transactions have occurred west of the river. 2018 was no different with demand coming for good quality space in the city centre and out towards the east of the city.

Having the infrastructure and population you'd expect with a county city means that the average deal size is higher than the rest of the county, with over 20% of transactions in 2018 being over the 4,500 sq ft mark. Most notably among these being the sale of 9 – 10 The Tything and the lettings at Berkeley Business Park.

Supply

As at the beginning of 2019, supply levels mirrored the geographic theme highlighted above, notable at the former DEFRA site close to Junction 7 of the M5, where over 160,000 sq ft of office space is being developed for sale or letting.

With this geographical push east, the city centre has started to become secondary in comparison – with only 14% of available space being in the city centre.

Rental and Capital Values

Rental values within Worcester are currently averaging around £11.37 per sq ft, with these levels being affected by the large office suites available to the east of the city, where there is often a quantum discount for tenants.

Like other Worcestershire submarkets, the lack of Grade A stock has hindered the growth of average sales rates – currently at £147 per sq ft. With the new developments along Whittington Road coming to the market, it will be interesting to see the effect this injection of high-quality accommodation will have.

Outlook

Worcester needs to address the shifting geographical location of office space within the city – with more emphasis being put back on the city centre. This can be addressed by looking at the conversion of struggling retail units; something which will improve the attraction of the city centre to visitors and occupiers alike.

With upgrading work to the Southern Link Road almost complete, this will unlock key sites to the west of the city, which have previously struggled with connectivity issues. Having a strong office market with a range of options for occupiers is a must if Worcester is to compete with nearby cities.

Wychavon

18,744 ft²
Total Take-Up
(Freehold and leasehold)

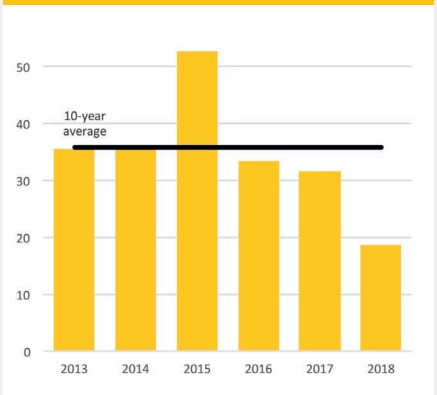
22
Months of supply

0.9%
Vacancy Rate

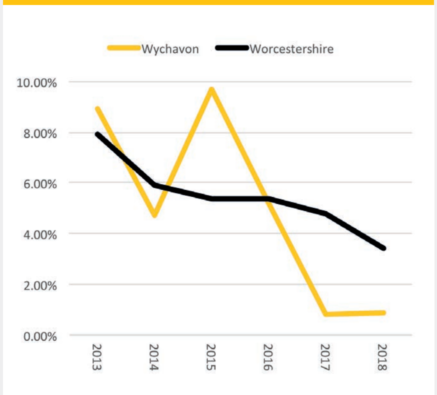
£15.50
2018 Headline Rent
(per sq ft)

£160
2018 Average Sales Rate
(per sq ft)

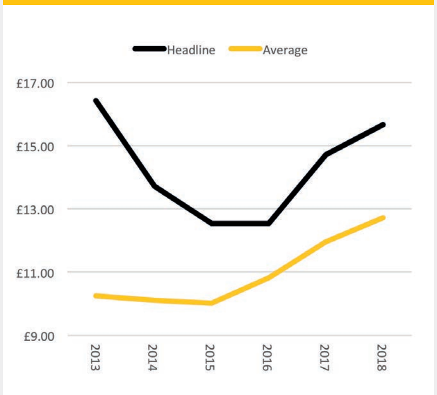
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Wychavon comprises the largest submarket in Worcestershire covering the towns of Evesham, Pershore and Droitwich; as well as incorporating much of the development around the M5 motorway, including Worcester Six and Whittington Hall. Demand in Wychavon is therefore high and is demonstrated by the 0.9% vacancy rate (the lowest in the county).

2018 saw an increase in the rental market for sub 1,500 sq ft accommodation, with 49% of all transactions being at this level. This coincides with the high number of SME businesses in the district (99% of all registered business). On the back of this, Wychavon has catered well for growing businesses; evident in the number of transactions in the district (22 in 2018, second to Worcester at 24).

Supply

Wychavon is home to the most talked about development in Worcestershire in 2018; Worcester Six. Whilst predominantly a warehouse and logistics hub, there is the provision for over 40,000 sq ft of office accommodation, which is distorting the availability figures. Outside of this, there is little in the 1,500 sq ft – 4,500 sq ft range, Wychavon's most popular size at 76% of all transactions over the past five years by volume.

Rental and Capital Values

Rental growth in Wychavon has increased year-on-year since 2015; with headline rents following suit. Average rents currently sit at £12.70 per sq ft and with Wychavon having two motorway junctions, the A44, A46 and A38, this shows the demand for well connected space.

Capital values in the district are also amongst the highest in the county at an average of £160 per sq ft. A contribution towards this comes from the make up of businesses in the district – SME occupiers are particularly active when purchasing via pension schemes and competition from these purchasers has driven values up.

Outlook

The need for space within Wychavon has already been identified with the development of Worcester Six – however accommodation suited to the majority occupiers (SMEs) of the district needs to be considered. With vacancy levels being low and activity levels being high, we envisage rental levels and capital values will only increase.

With regards to pushing development further, Wychavon is home to two motorway junctions, some major A roads and the new Worcester Parkway Station. The attractiveness of connectivity has already been highlighted, therefore these hubs are the key to accommodating growing business and attracting others.

Wyre Forest

12,789 ft²
Total Take-Up
(Freehold and leasehold)

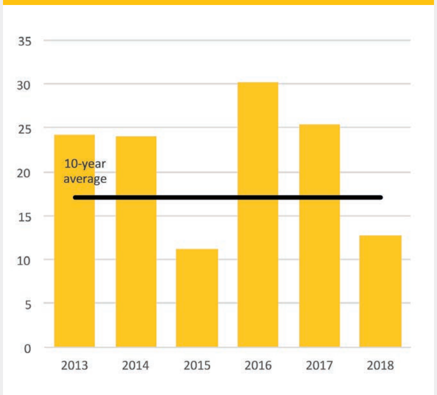
28
Months of supply

4.2%
Vacancy Rate

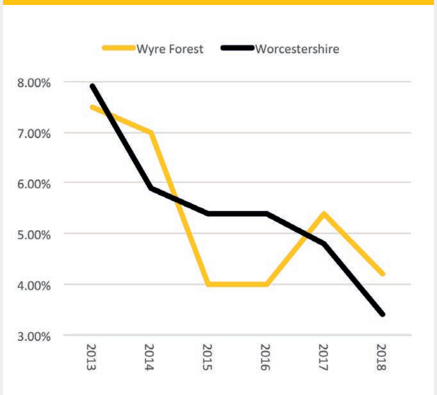
£11.00
2018 Headline Rent
(per sq ft)

£112
2018 Average Sales Rate
(per sq ft)

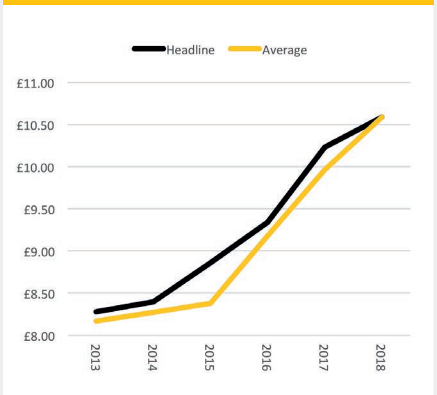
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

The Wyre Forest district covers the towns of Kidderminster, Stourport-on-Severn and Bewdley. The district does not benefit from the connectivity of other Worcestershire districts. However, it does host an abundance of commercial stock given its manufacturing past. As such, units tend to be either small suites or large office blocks which would have been linked to former manufacturing premises.

In light of the above, 82% of take-up in 2018 was outside of the 1,500 sq ft to 4,500 sq ft bracket. The shortage of stock in the middle of this range has led to take-up tracking below the county average and 10-year average for the Wyre Forest.

Supply

Availability in the Wyre Forest is good with there being over two years supply and available space is 20% on this time last year. Unlike the rest of the county, the available stock is more evenly balanced between freehold and leasehold premises giving occupiers a greater opportunity of owning their premises.

Vacancy rates within the Wyre Forest are higher than the average for Worcestershire, giving all occupiers more choice than other districts. This has created a business community which has been able to grow on the back of finding space that is more suited to their needs, while also presenting an affordable option.

Rental and Capital Values

Over the past five years there has been little difference between headline and average rents and in 2018 they converged. This is down to the dated stock within the district – therefore presenting developers and landlords the opportunity to develop or refurbish accommodation that can push headline rents above the average.

Capital values tell a similar story to rental levels with the average sales rate being low compared to the rest of the county at £112 per sq ft. Again there is an opportunity for this level to grow by presenting accommodation that can justify higher levels.

Outlook

Despite lacking the proximity to main transport routes (such as the M5 motorway) which other districts have, the Wyre Forest has created a dynamic business community with core routes back to its manufacturing past and a skilled workforce. In order to unlock this potential, more Grade A stock must come to the market and provide options to occupiers who wish to remain in the area, whilst occupying a higher standard of accommodation.

The Wyre Forest therefore presents as good an opportunity as any within the county and has the former vast manufacturing land to accommodate development and growth.

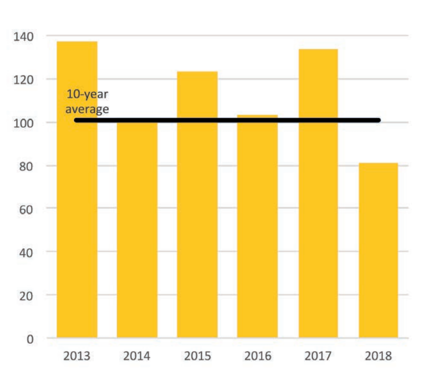
Industrial Sub-markets 2018

	Number of businesses	Total Take-Up (sq ft)	Vacancy Rate
Bromsgrove	10,155	81,003	0.9%
Malvern Hills	4,655	15,183	1.9%
Redditch	3,325	87,113	3.2%
Worcester	3,965	258,921	4.5%
Wychavon	7,200	628,389	2.8%
Wyre Forest	4,020	150,158	7.9%

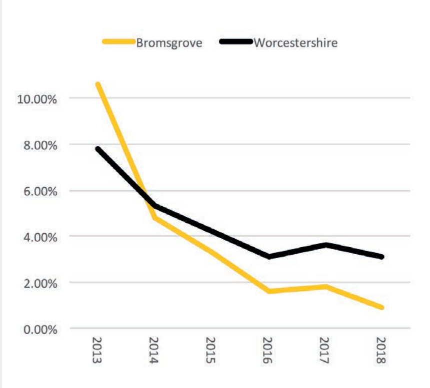
Bromsgrove

81,003 ft²	7	0.90%	£6.82	£86
Total Take-Up (Freehold and leasehold)	Months of supply	Vacancy Rate	2018 Headline Rent (per sq ft)	2018 Average Sales Rate (per sq ft)

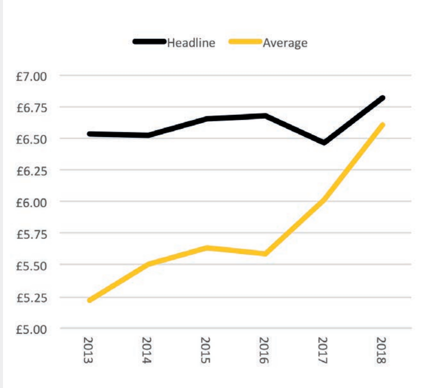
Total Take-Up (sq ft)



Vacancy Rates



Market Rent (£ per sq ft)



Demand

Bromsgrove's industrial market has consistently performed owing to its location; having excellent access to the M5 and M42 motorways and its position on the A38. This has provoked growth in business park locations, such as Harris and Saxon Business Parks, as well as more central locations, like Sherwood Road and Aston Fields.

All but two transactions in 2018 were in the sub 10,000 sq ft market, showing the demand from SMEs for this well connected space. A shortage of stock, particularly in this size bracket, has led to a narrowing disparity between average and headline rents.

Take up over 2018 was split almost 50/50 between freehold purchases and new leases, demonstrating the desire from businesses to take advantage of preferential buying conditions and low interest rates.

Supply

Reflective of Bromsgrove's geographical location, the district has the lowest vacancy rate across the county. It also has the lowest number of months' supply at just seven. Except for Corbett Business Park in Stoke Prior, there are very few new schemes currently under construction in the area.

Vacancy rates within Bromsgrove have fallen since 2013, exceeded the county average since 2014. This could be down to positive migration from Birmingham, where occupiers have realised Bromsgrove offers well located industrial space at more affordable price levels.

Rental and Capital Values

Average rental levels have increased dramatically over the past three years, with the gap narrowing between headline and average rents. This coincides with falling vacancy rates and the shortage of stock.

With the strong presence of freehold purchasers, the average sales rate has increased to a level which has become established and sustainable. This has been buoyed by the preferential buying conditions, particularly for the SME sector, with interest rates being low and the appetite to lend continuing.

Outlook

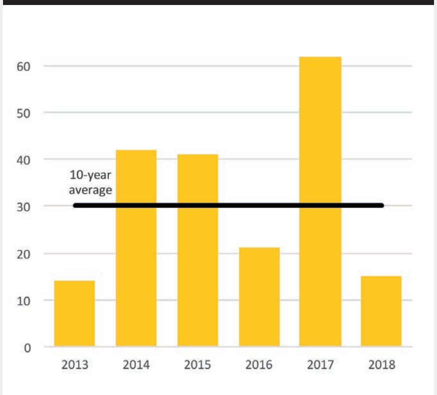
Like Bromsgrove's office sector, there is a severe stock shortage which needs to be addressed now in order to improve on the seven months of supply that remains. With this shortage, we expect rental levels to continue to increase at the same rate and average sales rates to push up towards £90 per sq ft.

The Brett Report, commissioned by Bromsgrove District Council, stressed the need for new development land in the area. However, this must be designated for commercial use in an area that is becoming as popular with residential occupiers as it is for commercial users.

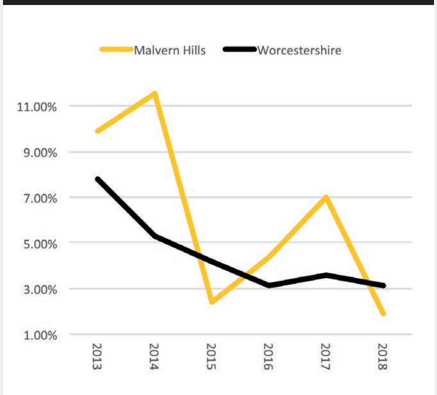
Malvern Hills

15,183 ft² Total Take-Up (Freehold and leasehold)	**13** Months of supply	**1.90%** Vacancy Rate	**£6.68** 2018 Headline Rent (per sq ft)	**£76** 2018 Average Sales Rate (per sq ft)

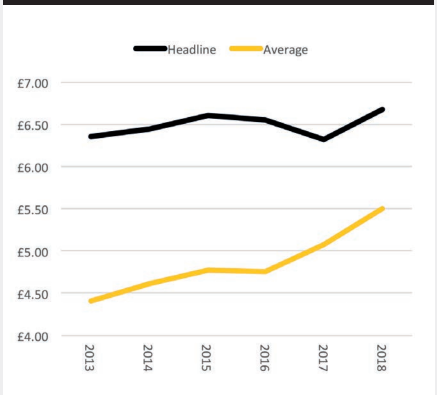
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

The Malvern Hills traditionally has the lowest take-up levels owing to its smaller commercial market, which can part be explained by its physical constraints with the Malvern Hills forming a natural boundary and the River Severn being in between the area and the M5 motorway. However, the historic connectivity issues are set to be improved with the Worcester Southern Link Road enhancement, which should assist the business community in Malvern.

Take-up is well below the 10 year average owing to the lack of stock in the 10,000 sq ft + sector – in the past five years only five transactions have been over this level.

Supply

With transactions of industrial properties over 10,000 sq ft being scarce, the vacancy rate has become volatile and can often rapidly increase should a large unit be introduced to the market – this being reflective of the small industrial market within the district.

The Malvern Hills district is however forging an identity for itself in the technology sector. Having looked at the impact on the office market, the industrial sector needs to position itself to capitalise on this. Areas will need to be identified for the development of this sector and with the physical constraints of the Hills being present, these could be in locations to the north and south of the district, particularly around the Three Counties Showground and Blackmore Park.

Rental and Capital Values

Rental levels are increasing with average rents being above £5.50 per sq ft for the first time in five years. Headline rents have remained constant, reflective of the lack of new build accommodation in the area.

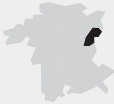
Both rental and capital values are performing well and in line with the county as a whole. This perhaps reflects demand from existing occupiers rather than new industrial occupiers moving into the area.

Outlook

The industrial market must react to the changes that are happening in the district's office market, where a tech identity is being formed. As ideas are being brought into the area by these companies, the manufacturing space needed to implement these ideas has to be present, which it currently is not.

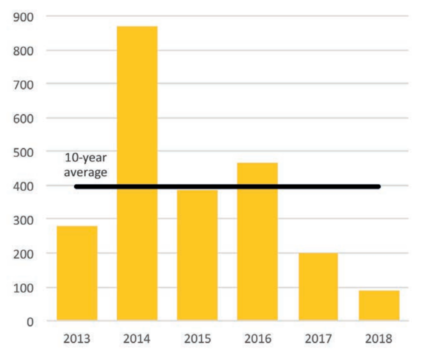
Sites need to be identified where research and development and manufacturing hubs can be developed and used to attract the inward investment of tech occupiers – mirroring what has been done at the Malvern Hills Science Park and Malvern Technology Centre, but for the industrial sector.

Redditch

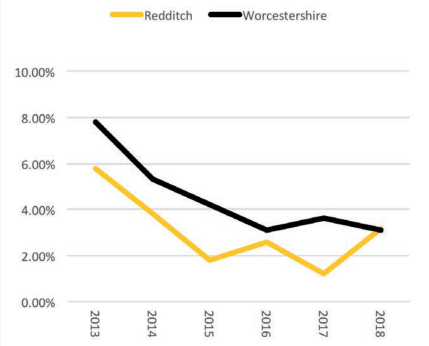


87,113 ft² Total Take-Up (Freehold and leasehold)	**22** Months of supply	**3.2%** Vacancy Rate	**£6.55** 2018 Headline Rent (per sq ft)	**£82** 2018 Average Sales Rate (per sq ft)

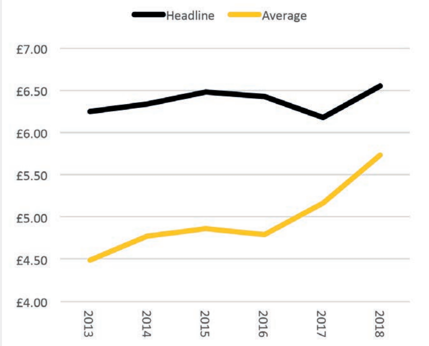
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Take up in the Redditch industrial market was good in 2018, but not as high as previous years owing to fewer landmark transactions; such as the letting on Old Forge Drive and at Vector Point in 2014.

This report addresses the occupier market in Worcestershire. It does not consider investment purchases, a sector which has traditionally dominated a large proportion of the Redditch industrial market.

Freeholders have jostled for space that is not investment stock and this has pushed purchasers into paying premiums for good quality space.
The take up in the sub 10,000 sq ft sector is strong, comprising 95% of all transactions in 2018.

Supply

Supply levels in the Redditch submarket are good with new schemes such as Crescent Trade Park offering units to the SME market and Velocity42 catering for larger occupiers.

Schemes such as these have led to the availability rate increasing by 141% compared to this time last year and vacancy rates tracking at 3.20%, in line with the county average.

Rental and Capital Values

Rental levels have been increasing as occupiers from Birmingham and surrounding West Midlands areas have realised they can get well located space with good links to the M5, M42 and M6 at a more affordable rate.

The increased awareness of Redditch as a prime industrial location may have contributed to the increase in average market rents, with there being significant growth over the past two years to over £5.50 per sq ft.

Capital values remain strong at an average sales rate of £82 per sq ft in the submarket. These values have proved to hold their worth as demand for space remains constant.

Outlook

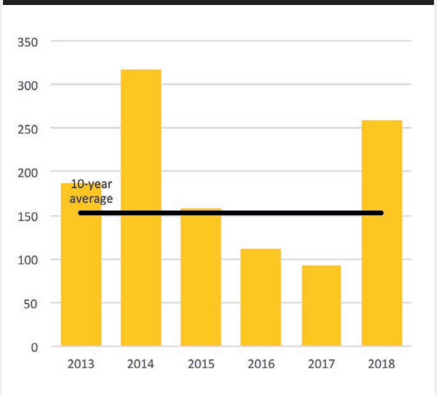
Redditch is a hotspot for occupiers looking for a variety of well connected space that is in the centre of the country. As schemes such as Velocity42 approach completion and the Redditch Eastern Gateway gets underway, the profile of the town as an industrial hotspot will increase, sustaining the growth in market rents and capital values.

The depth of good quality covenants within Redditch will retain interest from investors. However, owner occupiers must continue to be presented with opportunities that enable them to remain in the area. With Redditch lying close to other alternatives, the danger of migration out of the area must be addressed now by presenting opportunities for expansion to the entire business community.

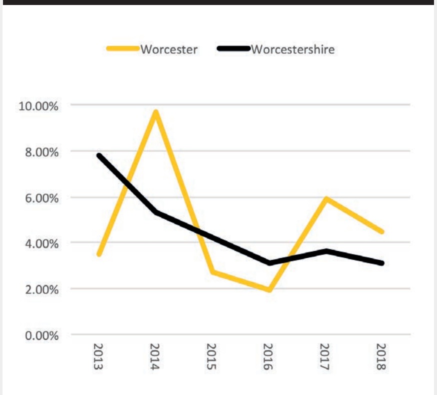
Worcester

258,921ft²	26	4.5%	£6.59	£77
Total Take-Up (Freehold and leasehold)	Months of supply	Vacancy Rate	2018 Headline Rent (per sq ft)	2018 Average Sales Rate (per sq ft)

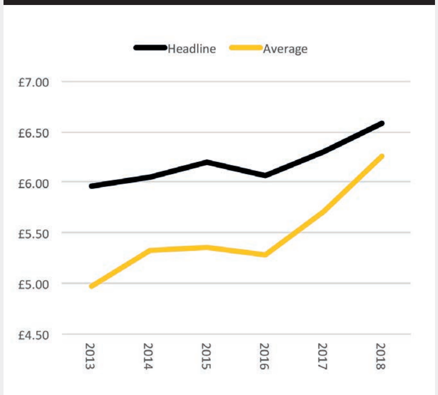
Total Take-Up (sq ft)



Vacancy Rates



Market Rent (£ per sq ft)



Demand

Take up in 2018 exceeded the 10 year average, with the most notable transaction being the letting of 110,000 sq ft on Shire Business Park, close to Junction 6 of the M5 motorway. Worcester's industrial market has typically been centred around this location and Blackpole to the west. This therefore represents a small geographical "sweet spot" and like the office market, there were few transactions west of the River Severn.

Worcester boasts a strong leasehold market with over 30 transactions in 2018 being lettings, compared to less than 10 freehold purchases. This has arisen from the nature of estate ownership in Worcester, which makes freehold opportunities scarce.

Supply

Supply appears good with 26 months of stock available and a vacancy rate of 4.5% which is above the county average. However, with the average available lot size being above 15,000 sq ft, this paints a distorted picture. Industrial units below the 10,000 sq ft mark are hard to come by, presenting an issue for start-up businesses and those looking to grow.

The constraints of the Worcester industrial sweet spot have been highlighted and this becomes more acute once Worcester city centre has been considered. However, occupiers are not deterred by central locations, as shown by the success of Great Western Business Park.

Rental and Capital Values

The strong leasehold market has put upwards pressure on rental levels with the average market rent jumping 50p to £6.26 per sq ft. There is also a lack of disparity between headline and average rental levels, again showing the lack of new build opportunities and the competition for existing stock.

Capital values have increased steadily, but, with few transactions, any significant gains have been capped. This has led to capital values remaining at an average of £77 per sq ft, which is low given the lack of space within the submarket.

Outlook

Worcester cannot afford to lose its prime industrial space to alternative uses such as residential, as shown by the 2018 take up level, which was the second highest of all six Worcestershire districts, remarkable given the size of the submarket.

A balance needs to be struck between residential, office and industrial users, with there being areas of the city that suit each occupier. As with any county city, there is a large population which not only needs housing, but a place to work. In order to encourage existing occupiers to remain in the city and present this workforce with employment opportunities, new good quality space needs to be made readily available.

Wychavon

628,389 ft²
Total Take-Up
(Freehold and leasehold)

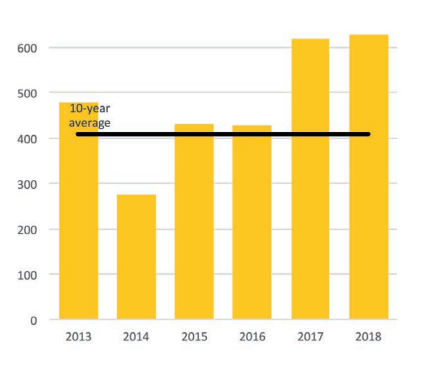
46
Months of supply

2.8%
Vacancy Rate

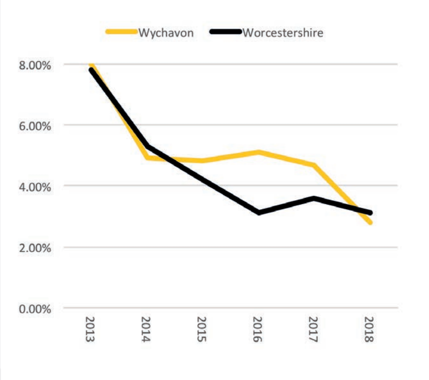
£9.59
2018 Headline Rent
(per sq ft)

£73
2018 Average Sales Rate
(per sq ft)

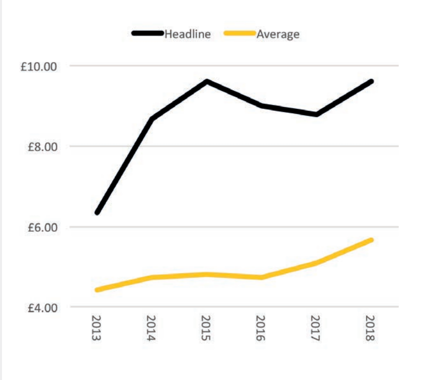
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Wychavon's industrial market is well catered for with the likes of existing estates such as Hartlebury Trading Estate, Pershore Trading Estate and Vale Park in Evesham.

Take up in 2018 was the highest of all six districts in the county, with a high proportion of this being attributed to the large lettings at Worcester Six. Large units such as these and those found at Stonebridge Cross in Droitwich have been acquired by leasehold occupiers who dominate this market.

The freehold market has also been active with over 120,000 sq ft of purchases in 2018.

Supply

This record demand is well catered for with the likes of new developments such as Worcester Six and Asparagus Way in Evesham. Considering this influx of space, vacant rates have fallen to 2.80%, marginally below the county average. The addition of these units has also affected the current supply pipeline at 46 months.

Institutional owned estates are catering well for the leasehold market. However, freehold opportunities need to be made available.

Rental and Capital Values

Average market rents have increased across the submarket over recent years, having pushed over the £5.50 per sq ft mark in 2018. Headline rental levels in Wychavon are much higher than the rest of the county and are being achieved on good quality "business units" under 1,500 sq ft that offer office and industrial space – with rates of over £9.00 per sq ft being achieved in Pershore and on Hartlebury Trading Estate. Aside from distorting the figures, this shows that county-wide more of these types of units are required as the demand for them is high.

Capital values have performed well over recent years with the average sales rate being at £73 per sq ft at the end of 2018. The future growth of this may be limited due to the lack of new build stock that is available to freehold purchasers.

Outlook

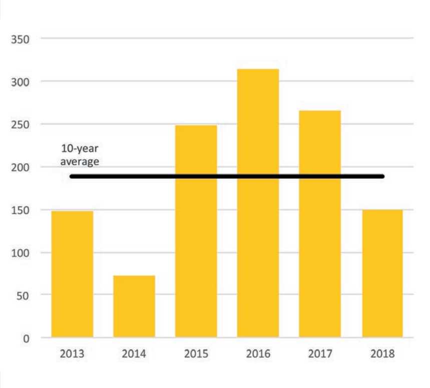
Wychavon boasts a wealth of opportunity with space and connectivity to the M5 motorways, A44, A46 and A442. It is great to see developments such as Worcester Six capitalising on these points and this scheme has brought high profile occupiers to the area and to Worcestershire as a whole.

Wychavon also needs to cater for the SME market by providing units in the range up to 50,000 sq ft and making these available to freehold purchasers, as well as leasehold occupiers. There is a real demand for this type of stock in Droitwich, Pershore and Evesham.

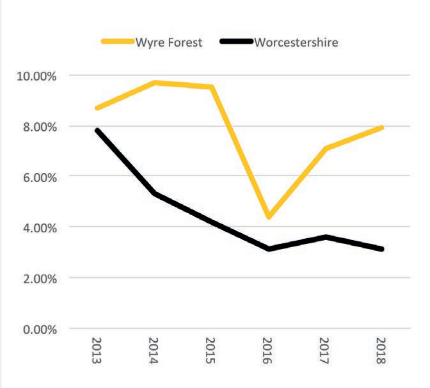
Wyre Forest

150,158 ft²	31	7.9%	£5.29	£65
Total Take-Up (Freehold and leasehold)	Months of supply	Vacancy Rate	2018 Headline Rent (per sq ft)	2018 Average Sales Rate (per sq ft)

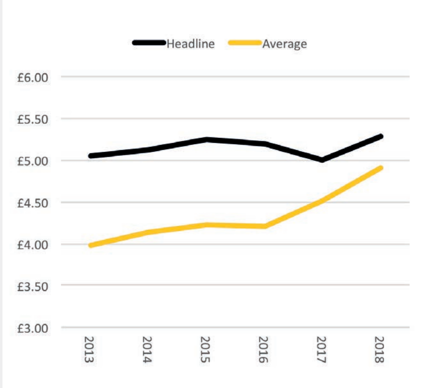
Total Take-Up
(sq ft)



Vacancy Rates



Market Rent
(£ per sq ft)



Demand

Take up in 2018 was strong at over 150,000 sq ft and close to the 10-year average. Highlight transactions include the letting of over 50,000 sq ft at Cursley Distribution Park.

Demand in the area has focused on the developments around Stourport Road, Kidderminster with the likes of Finepoint Way and Ratio Park offering good quality options to occupiers.

The continued need for good quality space is shown in the lack of disparity between headline and average market rents.

The Wyre Forest boasts a successful manufacturing past and ageing stock presents opportunities to reach out to modern day occupiers.

Supply

Vacancy rates have fluctuated above the county average and at the end of 2018 they were high at 7.90%. This is partially due to the unit sizes that are currently on the market and vacancy rates can fall (or increase) depending on large transactions.

Availability rates per sq ft are up 41% from this time last year, with options being present for both freehold and leasehold occupiers.

The existing available stock and development opportunities should appeal to nearby Black Country occupiers who are struggling to expand and need space.

Rental and Capital Values

Market rental levels are increasing as quality industrial and warehouse accommodation is being introduced to the market. In comparison to the rest of the county, rental rates are low presenting leasehold occupiers with affordable space they might not get elsewhere.

Average sales rates are also low at £65 per sq ft, most likely to be the result of newer stock being retained by investors and institutional landlords. As more quality options are presented to freeholders, the average sales rate is expected to improve.

Outlook

The Wyre Forest submarket has strong links to its manufacturing past, similar to neighbouring West Midlands areas and the Black Country. The space and brownfield sites left behind by these occupiers, particularly those vacated by former carpet manufacturers, can increase options for developers which will attract new occupiers.

The business and industrial community has become established along the Stourport Road in Kidderminster and the area has space to replicate this elsewhere.

The Wyre Forest has past history which presents huge potential to future occupiers.

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The underlying ethos of GJS Dillon is to provide invaluable local knowledge and property expertise, together with an uncompromising personal service. We feel that nobody knows the regional property market better than we do.

Commercial Property Specialists

Our focus is on the business community and we pride ourselves on knowing which businesses and individuals are looking for business space in our area.

Across the region

We have three strategically placed offices - a Head Office in Droitwich with satellite offices in Bromsgrove and Worcester. This ensures that we receive enquiries for commercial premises from individuals, occupiers, investors and developers throughout Worcestershire, as well as the wider West Midlands area, and from national companies wanting to be in this region.

Excellent track record

We have an established track record working with Worcestershire County Council, Local District Councils, Place Partnership and West Mercia Police on the disposal and management of their sites and properties within the region and we have been able to demonstrate on numerous occasions our ability to achieve the very best rents and prices.

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The firm is fully regulated by the Royal Institution of Chartered Surveyors and our Directors are all fully qualified RICS Registered Valuers with extensive experience when carrying out valuations and progress update reports for public bodies, pension funds and/or lending institutions.

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We use the very latest Agency Pilot software to track and list all enquiries, applicants and interest on our retained instructions, as well as holding a massive database of commercial and residential developers and occupiers who we know are actively seeking commercial premises and land within the Worcestershire area.

Why choose us

- **Commercial Property Specialists**
- **Across the region**
- **Excellent track record**
- **Fully regulated**
- **Large database**
- **Excellent contacts**

Excellent contacts

We have excellent contacts with local Planning Officers, the Local Enterprise Partnership, Councillors and Economic Development Teams. We pride ourselves on our ability to speed up planning decisions, assist in obtaining grant funding (where possible), and offer assistance with respect to business rates, as well as providing information quickly relating to the wider Worcestershire local economy.

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