

## Market Report

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### Worcester Towns Investment Plan

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Worcester City Council

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January 2021

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Private and Confidential

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## Limitation

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## Executive Summary

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## Report

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# 1 Introduction

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- 1.1 AspinallVerdi is a specialist practice of Chartered Surveyors and Town Planners providing fully integrated property and economic development; regeneration; and town planning services to a wide range of local, regional and national clients across both the public and private sectors.
- 1.2 We have been instructed by Worcester City Council (hereafter referred to as the Council), as part of a multi-disciplinary team led by Mott MacDonald. As part of the baseline analysis, we have carried out a property market review of the following sectors: residential, retail & leisure and office workspace.
- 1.3 This property market report brings together the background research into the different property market sectors and provides some overarching conclusions to ensure the development proposals:
  - reflect market demand,
  - are as commercially viable and deliverable as possible

## Limitations

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- 1.4 It should be noted that the baseline review was undertaken during the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020. This has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors; however, the exact consequences of the COVID-19 outbreak are unknown and we are faced with an unprecedented set of circumstances on which to base a judgement. There is therefore a higher degree of uncertainty than would normally be the case. We have conducted our market research based on the existing available evidence and our assumptions are based on a ‘business as normal’ approach. The assumptions used may be subject to change and we recommend that the conclusions of this report are kept under review.

## Local Profile

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- 1.5 The City of Worcester is located within the county of Worcestershire, in the West Midlands of England. The neighbouring South Worcestershire districts of Malvern Hills and Wychavon surround the boundary of the city. The city is located approximately 48km south of Birmingham, and 40km north of Cheltenham via the M5. Worcester Foregate station also provides regular services to Birmingham New Street, Hereford and London Paddington. We provide a location map at Figure 1.1 below.

**Figure 1.1 – Location Map**



Source: Google Maps, 2020

- 1.6 The resident population of the city is estimated at 101,957 people in 2018<sup>1</sup>. Worcester is considered a historic county town and cathedral city which has Roman origins. The city is also home to a growing university.

## Local economy

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- 1.7 Worcester benefits from reasonably good road communications; the city is located just to the west of the M5, which provides direct access to the West Midlands and the South West. However, accessibility to Worcester from the more rural western part of the catchment is not so good, with few major roads. There is good access via rail to Birmingham city centre.
- 1.8 Employment in private sector services accounts for 53% of total employment in Worcester, specifically, professional & business services and finance sectors together account for a close to average 12.0% of total employment, while retailing and leisure account for 21.8% of total employment. The public sector accounts for 23.7% of total employment in Worcester.
- 1.9 The impact of COVID-19 since March 2020 impacted a wide section of the economy with, continued social distancing requirements alongside a weak consumer economy placing downward pressure on many businesses.
- 1.10 Worcester has a well above average proportion of jobs in Public Services. Worcestershire Health and Care NHS Trust is a major employer, as are both the city and county councils.

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<sup>1</sup> Worcester City SHMA 2019

- 1.11 Worcester's proximity to the M5 motorway has attracted wholesale distribution companies such as Salvesen Food Logistics, who operate a distribution centre in Droitwich.
- 1.12 The manufacturing sector in Worcester accounts for 9% of total employment. Bosch Thermotechnology, manufacturer of Worcester Bosch boilers, is the largest employer within the manufacturing sector. Utility provider, Npower, also employs 600 staff at its office in Worcester.
- 1.13 Engineering accounts for a large proportion of manufacturing jobs in Worcester; Yamazaki Mazak UK Ltd, manufacturer of metal cutting machine tools, has its European manufacturing plant on Badgeworth Drive, Worcester. Southco Limited, who produce latches and access fasteners, has its European Customer and Technical Support Centre in Worcester. Morgan sports cars are manufactured further afield in Malvern.
- 1.14 Other traditional firms such as Lea & Perrins continue to feature as major employers and whilst the brands of porcelain manufacturer, Royal Worcester, were acquired by Portmeirion in 2009, production no longer takes place in the city.
- 1.15 Worcester firm, Gtech, a cordless power tools designer and manufacturer, is creating 100 new jobs in 2018/2019 in the area as the result of deciding to shift part of its manufacturing operation to the UK from China.
- 1.16 Worcester Six Business Park - previously known as Worcester Technology Park - is under construction on a 178 acre site adjacent Junction 6 of the M5; the new park will be targeted at technology rich manufacturing businesses and the completed development is expected to create around 5,500 jobs over a ten year period. Kimal PLC has confirmed it will be moving to the site, as well as Spire Healthcare, who expect to create up to 60 jobs. Siemens opened a 3D printing factory on the park in January 2019, creating around 55 jobs.

## Affluence and mobility •

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- 1.17 The age profile of Worcester includes a particularly high proportion of the retired aged 65 and over; older working age adults aged 45-64 are also over-represented. In contrast, young adults aged 15-24 are particularly under-represented within the Worcester area and children aged 0-14 and adults aged 25-44 are moderately underrepresented.
- 1.18 Reflecting the demographic profile and spending habits, the Worcester area contains a significantly above average proportion of adults of working age categorised within the most affluent AB social group (which includes those in managerial and professional occupations). In contrast, the least affluent D and E social groups (which includes those in skilled and unskilled

manual employment, the unemployed and those on state benefits) are particularly under-represented within the Worcester area.<sup>2</sup>

1.19 The level of car ownership in Worcester is significantly above average with a particularly high proportion of two car households.

1.20 The structure for the remainder of this report is as follows:

<b>Chapter</b>	<b>Overview</b>
<b>Chapter 2 –</b>	Residential Market Overview
<b>Chapter 3 –</b>	Retail Overview
<b>Chapter 4 –</b>	Leisure Overview
<b>Chapter 5 –</b>	Office / Workspace Overview
<b>Chapter 6 -</b>	Recommendations

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<sup>2</sup> source CACI



## 2 Residential Market Overview

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- 2.1 This section deals with the residential market. We begin by reviewing the national market in the context of the current COVID-19 global pandemic. Following this we undertake a review at a local level by looking at new-build achieved and asking prices for properties in Worcester Town Centre.
- 2.2 The property market review was undertaken in November 2020.

### National Overview

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- 2.3 The latest edition of the RICS UK Residential Market Survey<sup>3</sup> was for July 2020. The key messages were as follows;
- All activity metrics point to a significant pick-up in July
  - The headline price growth indicator moves out of negative territory for the first time since March
  - Respondents envisage sales slowing at the twelve-month horizon due to the difficult economic climate
- 2.4 The July 2020 RICS UK Residential Survey results signal the ongoing recovery in sales market activity gained further momentum over the month. That said, despite the recent pick-up, respondents are circumspect on the prospect of this being maintained once wider government support measures are phased out across the economy later in the year.
- 2.5 In terms of buyer demand, a headline net balance of +75% of survey participants saw a rise in enquiries over July. At the same time, new instructions being listed onto the sales market also rose sharply over the month, evidenced by a net balance of +59%.
- 2.6 In terms of house prices, the survey's headline gauge of price growth moved out of negative territory for the first time since March. Across the UK in aggregate, a net balance of +12% of respondents reported an increase in house prices during July, a noticeable turnaround on the reading of -13% registered in the June results. In the lettings market, respondents noted a firm recovery in tenant demand over the three months to July, posting a net balance of +35%.

### National & Local Overview

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- 2.7 Figure 2.1 below displays the average sold values for all property types in England and Wales and in Worcester. It shows that values for all property types in Worcester are consistently below the national average. Leading up to 2018 there has been a slight increase in average prices however, following the Brexit vote as well as the recent outbreak of COVID-19 and uncertainties surrounding the British economy, the market has shown signs of slowing down as property prices

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<sup>3</sup> July 2020: UK Residential Market Survey

have begun to plateau. The average recorded price for all property types as of May 2020 is £212,500 in Worcester and c. £247,000 in England and Wales.

**Figure 2.1 - Average Property Prices Overtime**



Source: Land Registry (2015-2020)

## Worcester Local Overview

- 2.8 Table 2.1 presents the average values for all property types in Worcester. It indicates both the average asking prices and sold prices for the last 12 months. The data upon which these values are based include all house types.

**Table 2.1 - Average Property Prices in Worcester**

Property Type	Avg. Current Value	Avg. £ psf	Average. # beds	Avg. £ paid (last 12 months)
<b>Detached</b>	£390,866	£245	3.8	£366,209
<b>Semi-detached</b>	£229,898	£223	3.1	£227,618
<b>Terraced</b>	£193,413	£218	2.7	£199,046
<b>Flats</b>	£157,551	£218	1.8	£141,393

Source: Zoopla, (2019-2020)

- 2.9 From the above table it can be seen that detached properties command significantly higher than other property types. It is also interesting to note that prices for most property types are not being

achieved in context to their asking prices. On the £ psf basis, all property types have achieved on average in excess of £200 psf.

## New Build Achieved Prices

- 2.10 New build sale values have been analysed using Land Registry data and analysed on a £ psm basis through cross referencing the data with EPC. The Energy Performance certificate data provides evidence of the unit sizes but does not record the number of bedrooms per property. The data covers two years of sales (January 2018 – September 2020).
- 2.11 Table 2.2 provides a summary of new build sold prices across Worcester between January 2018 and September 2020. The analysis of new build sold prices shows that there has been a total of 59 transactions of flatted property types. The majority of units transacted in 2018/2019 with no recorded transactions for this year. There has also been no recorded transactions for other property types within our review period.

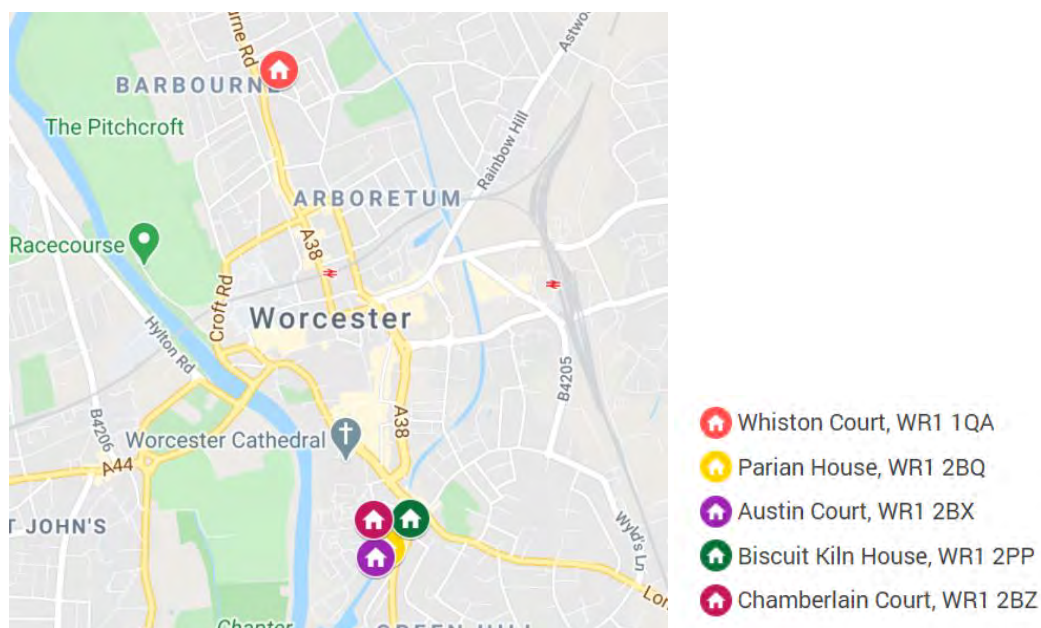
**Table 2.2 – Analysis of New Build Achieved Prices – Worcester**

Typology	Number of sales	Average size Sqm	Sold value min	Sold value max	Average £psm	Average £ psf
Flats	59	73	£150,000	£581,039	£3,104	£288

Source: Land Registry (January 2018 – September 2020)

- 2.12 As can be seen by table above, there is a large range in achieved prices for flats across Worcester. Prices range due to the nature of the scheme and location. The higher sold prices have been achieved at Chamberlain Court which is a unique development of 4 and 5 bedroom townhouses and 3 bedroom apartments located on Severn Street (WR1 2BZ). Apartments transacted at this development range in size of between 161 sqm – 173 sqm and are available with 2 allocated parking spaces. As this is a unique development aimed at aspirational purchasers, we do not expect prices for new build apartments to achieve this level of price range.
- 2.13 The map overleaf identifies the new build schemes and their location in relation to the City Centre. It can be seen that the majority of the new build schemes are located to the south of the City Centre.

**Figure 2.2 - Location Map of New Build Schemes**




Source: Google Maps, September 2020



### New Build Asking Prices

2.14 This section reviews asking prices for new-build properties marketed on Rightmove and developer websites in September 2020 in Worcester. It should be noted that asking prices may be aspirational. It is important to note that house builders may offer incentives to purchasers or negotiate discounts against quoting prices to achieve sales.

2.15 From undertaking a search on Rightmove, we have identified the following developments and asking prices.

**Table 2.3 - New Build Asking Prices**


Address	Image	Property Type	Floor Area (sqm)	Asking Price	£ psm	£ psf	Comments
<b>Watermill Court, Bromyard Road, Worcester, WR2</b>		2 Bed Penthouse	N/A	£180,000	N/A	N/A	A contemporary new development located approximately 2 miles west of the City Centre. Apartments are available with on-site parking.
		2 Bed Flat	N/A	£175,000	N/A	N/A	
		2 Bed Flat	N/A	£172,500	N/A	N/A	
		2 Bed Flat	N/A	£170,000	N/A	N/A	

<b>Merrimans Hill Road, Worcester, WR3</b>		2 Bed Townhouse	58.8	£200,000	£3,401	£316	Recently constructed two bedroomed mid-terraced house located within walking distance of the city centre.
<b>Royal Porcelain Works, Chamberlain Court, Severn Street, Worcester, WR1</b>		4 Bed Townhouse	N/A	£520,000	N/A	N/A	Townhouse 2 has four double bedrooms and three bathrooms and is situated in a unique development of townhouses and apartments on Severn Street which combines contemporary living with Worcester's historic Victorian heritage.

Source: Rightmove, September 2020

- 2.16 Due to the lack of housing development schemes currently on offer in the city centre, we have extended our search over a 1 mile radius. The developments and asking prices identified are set out in Table 2.4 below.

**Table 2.4 - New Build Housing Developments**

Address	Plot	Property Type	Asking Price	Comments	Site Plan / Image
<b>Woodland Edge, Perry Wood Walk, Worcester, WR5 1EH</b>	The Gosford - Plot 14	3 Bed Semi-Detached House	£254,995	Woodland Edge is collection of 1, 2, 3 and 4 bedroom homes. Once completed the development will provide 215 homes being offered by Taylor Wimpy.	
	The Yewdale - Plot 11	4 Bed Detached House	£290,000		
	The Yewdale - Plot 9	4 Bed Detached House	£290,000		
	The Monkford - Plot 2	4 Bed Detached House (109 sqm)	£325,000		
	The Monkford - Plot 77	4 Bed Detached House (109 sqm)	£325,000		

**Abbotsford Grange,  
Sherwood Lane, Lower Wick,  
Worcester**

The Sherbrooke - Plot 6	3 Bed Semi-Detached House	£285,000
The Edmonton - Plot 2	3 Bed Detached House	£300,000
The Hamilton - Plot 3	4 Bed Semi-Detached House	£375,000
The Brampton - Plot 1	5 Bed Detached House	£435,000

Abbotsford Grange is an exclusive development of 9 houses within the village of Lower Wick, Worcester



**Birch Meadows,  
Battenhall Road,  
Worcester,  
Worcestershire,  
WR5**

The Baxter	4 Bed Detached House (179 sqm)	£525,000
The Chamberlain	5 Bed Detached House (196 sqm)	£560,000

Birch Meadows is a new development of 3, 4 & 5 bedroom homes. The development is located in Battenhall in Worcester



Source: Rightmove, September 2020

2.17 From Table 2.3 and Table 2.4 above, we consider the best comparable evidence is the developments located at Watermill Court and the housing scheme located at Woodland Edge which is being offered by Taylor Wimpey. We do not consider the developments located at Birch Meadows, Abbotsford Grange and Royal Porcelain Works as good comparables. These are all exclusive developments aimed at aspirational purchasers which is reflected in the higher asking prices for properties at these developments.

## Retirement Living (WR1)

2.18 As part of our market review we have also considered retirement living developments. This was undertaken using Zoopla as well as searching individual developer websites i.e. Churchill Retirement Living and McCarthy & Stone.

### Asking prices – Retirement Living

2.19 From undertaking a search on Zoopla, Table 2.5 sets out the properties currently listed as available in WR1 postcode area.



**Table 2.5 - Retirement Living Asking Prices**

Address	Property Type	Image	Asking Price	Description
<b>St. Georges Lane North, Worcester WR1</b>	1 Bed Flat		£87,500	This one bedroom apartment is located in a retirement complex for the over 60's. The complex is situated within a short distance of both the shops and facilities on Barbourne Road and the City Centre. Further benefits are a site manager on site and a personal alarm system
	1 Bed Flat		£80,000	Located in a retirement complex for the over 60's. The complex is situated within a short distance of both the shop and facilities on Barbourne Road and the City Centre. There are communal gardens and a communal parking area.
<b>Homenash House, St. Georges Lane North, Worcester, WR1</b>	2 Bed Flat		£110,000	
	1 Bed Flat		£85,000	Gheluvelt Court was constructed by McCarthy & Stone (Developments) Ltd and comprises 52 properties arranged over 3 floors served by lift. In addition, there is a separate detached block comprising four two bedroom apartments.
<b>Gheluvelt Court, Brook Street, Worcester WR1</b>	2 Bed Flat		£95,000	
	1 Bed Flat		£185,000	High specification retirement apartments available for the over 60's. The apartments benefit from a communal garden, 24 hour on site support, main meals, cleaning and utility bills included in the monthly living costs, regular planned activities, a health and beauty suite and onsite parking.
<b>White Ladies Close, Worcester WR1</b>	2 Bed Flat		£210,000	

Source: Zoopla, September 2020

2.20 As can be seen by Table 2.5 above, values for retirement properties generally range between the following;

- 1 bed retirement flat – £80,000 - £87,500
- 2 bed retirement flat – £95,000 - £110,000

2.21 We do not consider the apartments located at White Ladies Close as a good comparable. The higher asking price for apartments located here is reflected in the additional services, specification and amenities available, again targeting aspirational purchasers.

## Value Conclusion

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2.22 Based on the market research presented in this report our value assumptions are shown in Table 2.6. Please note that the values presented below are broad estimates for new-build 1-4 bed properties and if there is a more detailed breakdown of house types, size and mix when preparing appraisals, these figures can be used as a guide.

**Table 2.6 - Residential Value Assumptions**

	1-Bed	2-Bed	3-Bed	4-Bed
<b>Flat (for sale)</b>	£155,000	£185,000 - £210,000	£210,000- £220,000	N/A
<b>House (for sale)</b>	£210,000	£220,000	£290,000	£330,000
<b>Retirement living (for sale) *</b>	£85,000	£100,000	N/A	N/A

Source: AspinallVerdi, September 2020



### 3 Town Centre Retail

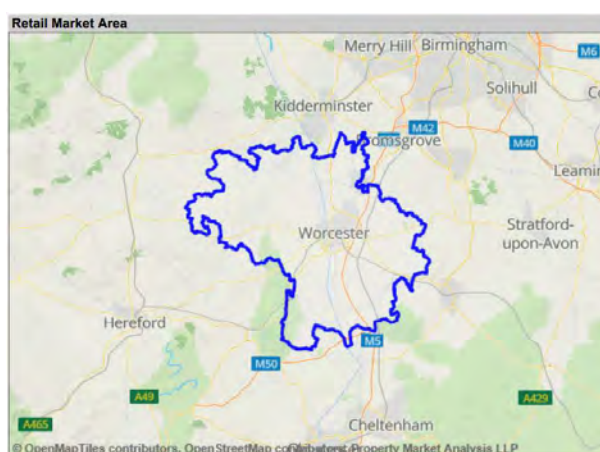
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In this section, we focus on the retail market in Worcester City Centre. It is the main employment centre for the largely rural county of Worcestershire, and benefits from close proximity to the M5. It is classified as a Sub Regional Resilient Town, on the basis of the volume and quality of its retail offer.

#### Retail market area

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- 3.1 The Primary Retail Market Area for Worcester is modelled by PMA based upon the retail attractiveness of Worcester relative to competing retail destinations. The area includes all wards where the penetration of the city exceeds 15%.
- 3.2 The total population within the Worcester Primary Retail Market Area, as modelled by the Promis data set is estimated at 217,000 at the end of 2019.



- 3.3 The same dataset estimates the Consumer Base of Worcester to be 186,000, ranking the city 60 of retail centres, which is above the average for the Sub Regional Resilient Towns. The estimated Consumer Base reflects the modelled market penetration of the town both within the Primary Retail Market Area and beyond.
- 3.4 The city is projected to see close to average growth in population within its Retail Market Area over the period 2019-2024. In terms of retail spend, Worcester ranks 72 and this is forecast to see around average percentage growth in the available pool of retail spending over the forecast period, end 2019-2024.
- 3.5 Given the rural nature of the surrounding area and the distance to major competing centres, we would expect Worcester to retain a large proportion of spending within its catchment, as well as attracting occasional visits from further afield.

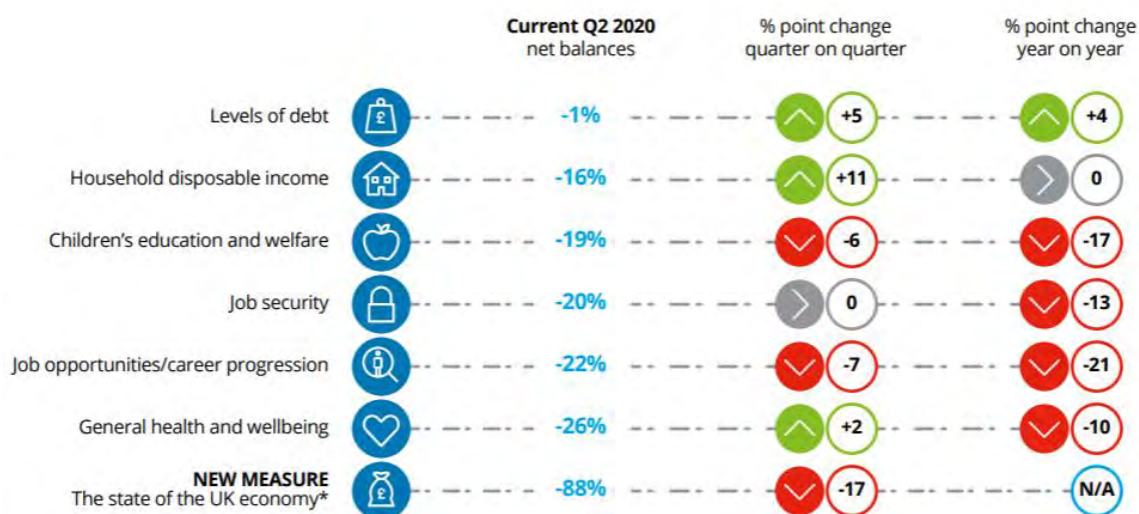
3.6 In addition, Worcester attracts a significant level of tourist spending. The city's key attraction, Worcester Cathedral is located adjacent to the central shopping area.

## National Context

3.7 When considering the performance of the retail and leisure sectors, it is useful to understand the wider economic trends. The Deloitte Consumer Tracker<sup>4</sup> hit a record low in the first quarter of 2020, as the impact of COVID-19 unfolded in the UK. This has however started to improve in the second quarter.

3.8 Figure 3.1 provides an overview of consumer spending confidence. The COVID-19 pandemic is having an impact across many measures of consumer confidence. Confidence levels around children's education and welfare, job opportunities/ career progression and the state of the UK economy continue to fall. Confidence in the state of the UK economy saw the greatest decline this quarter, falling by -17%. The overall consumer spending confidence is however moving in a positive direction in comparison to Q1 which saw a negative impact on all 6 measures of consumer spending confidence.

**Figure 3.1 - The Deloitte Consumer Tracker Q2 2020**



Source: Deloitte Consumer Tracker Q2 2020

3.9 2019 saw the slowest rate of growth in the UK retail sector since 2010, which has largely been attributed to the uncertainty surrounding Brexit. There was a huge amount of business restructuring, with 85,000 jobs lost and 9,169 store closures, including brands like Forever 21 and Coast disappearing from the High Street Forever. As of 2020 more than 12% of UK stores

<sup>4</sup> The Deloitte Consumer Tracker Q1 2020

now stand empty, compared with 11.5% a year ago.<sup>5</sup> Online sales continued to grow and reached 21% of total sales in 2019.<sup>6</sup> This trend is expected to continue with online shopping expected to more than double its share of the retail market by 2028.<sup>7</sup>

- 3.10 In general, UK retail remains in a state of uncertainty, not only due to Brexit and the state of the economy, but also due to a growing number of challenges such as changing attitudes to materialism, rising expectations for value and convenience and increased spending on experiences rather than products.
- 3.11 Occupier demand is selective with requirements from retailers very specific. These retailers are unwilling to compromise on space, location or cost parameters. The current marketplace is offering opportunities for more dynamic retailers to adapt their stores, lowering costs and building in future flexibility across their portfolios.
- 3.12 Larger city centres, key regional shopping centres and commuter towns generate higher levels of demand than secondary locations and towns with multiple shopping centres which are generally over-shopped where there are clear affordability issues.
- 3.13 Retailers will continue to undertake strategic reviews of their entire portfolio which will in turn be used to drive acquisition and disposal strategy. Re-gear and lease restructuring deals are therefore expected to account for a significant percentage of transactional activity in the retail sector in the coming year.

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<sup>5</sup> Cushman & Wakefield, UK Retail & Brexit, what's next for retail property

<sup>6</sup> Deloitte, Retail Trends 2020

<sup>7</sup> The Guardian, Half of UK retail sales will be online within 10 years

## High Street Retail Context

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- 3.14 In recent years, the bricks and mortar comparison retail sector in the UK has struggled, mainly due to the growth of online shopping. Cushman and Wakefield<sup>8</sup> have reported a 10% year-on-year growth in online retail sales in August 2019, accounting for 19.7% of all retailing. Growth in general retail sales was at 2.5% year on year, demonstrating the stronger online market at present and an overall slowdown in Q3 compared to the previous quarter (3.6% year-on-year).
- 3.15 The FHSF Prospectus (December 2018) describes the current structural changes facing high streets. The Prospectus describes how over many years the ways in which people interact with their high streets and town centres have constantly evolved, e.g. out-of-town shopping centres in the 1980s. However, the speed of change has increased dramatically in recent decades. The unprecedented growth of online shopping in particular has had a big effect on high streets. Between 2007 and 2018 online sales increased six-fold while the growth of in-store sales lagged behind. In 2000 online retailing accounted for less than 1% of total retail sales while in October 2018 almost a fifth of all retail sales took place online.
- 3.16 Technological advances, including smartphone use and improvements to broadband have facilitated this rapid rise in online retailing. This has left a number of vacant or under-used retail spaces in town centres. There is currently a mismatch between the supply of existing space and the demand for different types of space in town centres. Evidence shows that high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes and are adapting more successfully. In contrast, high streets that rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.
- 3.17 The challenge for high street comparison retail, where even prime city-centre locations have seen occupiers shutting down and units left vacant, is largely being driven by rising cost pressures associated with:
- Business rates reforms
  - National Living Wage and pensions
  - Import and export costs
  - Value of the pound
  - Rise of online shopping
  - COVID-19

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<sup>8</sup> Cushman & Wakefield, Retail Market Snapshot, Q3 2019

- 3.18 A number of retailers have not been able to react quickly enough, and have as a consequence entered Company Voluntary Arrangements (CVA) to help restructure the business and renegotiate terms or enter liquidation. This has resulted in net store openings being in negative territory across all retail sectors across the country<sup>9</sup>.
- 3.19 An article published in the Sunday Times dated 29<sup>th</sup> December 2019 called 'The bonfire of Britain's department stores begins' discussed the ongoing decline of the comparison and convenience retail market as a result of the rise of online retailers such as Amazon that offer a broader range of products for lower prices at greater convenience. It draws upon the closure of 22 Debenhams outlets in December 2019 with further closures and streamlining of overheads planned in the new year, and noted that "thousands of workers are likely to lose their jobs" following Beales calling in KPMG for an emergency review, which would add to the estimated 85,000 who have been made redundant in the retail sector at the date of the article.
- 3.20 The article concludes with stating "in 2007 the John Lewis Partnership, Debenhams and House of Fraser made a combined £580m in pre-tax profits. That has fallen to £193m and the direction continues to be down".
- 3.21 As would be expected, given the ongoing COVID-19 outbreak, the Q1 2020 RICS UK Commercial Property Survey results point to a sharp deterioration in market sentiment. Following what appeared to be a promising start to the year through January and February according to anecdotal evidence, social distancing measures and forced business closures have severely restricted activity and will unfortunately continue to weigh heavily on the outlook over the coming months. The property market survey identified the following trends
- Near term rental and capital value expectations turn negative
  - Sentiment deteriorates across all sectors, albeit industrials more resilient than retail and offices
  - Headline twelve-month projections also negative, although medium term expectations less downbeat away from retail.

## Worcester Retail Review

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- 3.22 Our property market assessment focuses on availability and deals done using Estate Gazettes Radius Exchange. The primary use class which has been reviewed in this section is Class E (formally A1 Retail and Mixed-Use Retail).
- 3.23 Worcester City Centre is the principal shopping and leisure location in Worcestershire. The City Centre provides a mix of retail, service and leisure facilities. The main shopping street, High

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<sup>9</sup> <https://www.pwc.co.uk/press-room/press-releases/High-street-exits-remain-at-historic-high-as-openings-slump-to-lowest-levels-on-record.html>

Street, is pedestrianised, including more secondary shopping streets such as Broad Street, Pump Street and The Shambles.

- 3.24 The city has a strong comparison goods offer with a high representation of national retailers. Most of the city's fashion offer is situated along the High Street, including the frontage of Cathedral Square shopping centre. Key retailers here include River Island, Jack Wills, Office, Accessorize, Next, H&M and Topshop/Topman. A number of boutique style and independent retailers are also located in Reindeer Court and on Friar Street. The city also has two department stores, Debenhams and House of Fraser which are situated within Crowngate Shopping Centre<sup>10</sup>. Given the current economic climate, like other cities across the UK Worcester is exposed to potential store closures resulting in higher vacancy rates. Retailers that have fallen into administration or announced several store closures include the likes of Debenhams, whilst other national brands in a financial distress include the likes of Quiz, Monsoon, New Look.
- 3.25 In terms of the convenience retail offer, Iceland and Marks & Spencer (food hall) are both present within the city. Tesco Express and Sainsbury's Local both have stores on Foregate Street and Asda has a large store at St Martin's Quarte which is located on the north eastern edge of the city centre.
- 3.26 The cities principal competitor is Birmingham city centre. Its main shopping centre – The Bullring is anchored by two main department stores (Selfridges and Debenhams) and includes a range of national retailers.

### Leasehold – Achieved Rents

- 3.27 We have looked to identify leasehold transactions involving retail units (both comparison and convenience) in Worcester (WR1). The properties identified are set out Table 3.1 below.

**Table 3.1 – Achieved Rents**

Address	Size (sqft)	Achieved Rent (£)	£ psf	Deal Date
50, Upper Tything, Worcester, Worcestershire, WR1 1JZ	547	£8,500	£16	02/03/2020
Unit 14, The Hopmarket, Worcester, WR1 1DL	229	£5,000	£22	01/02/2020
Unit C, Lowesmoor Place, Worcester, WR1 2DZ	4,960	£50,000	£10	28/10/2019
49, Upper Tything, Worcester, WR1 1JZ	485	£37,500	£15	01/09/2019
Unit 3, The Hopmarket, Worcester, WR1 1DL	238	£5,000	£21	28/08/2019

<sup>10</sup> Worcester Promis Retail Report, August 2020

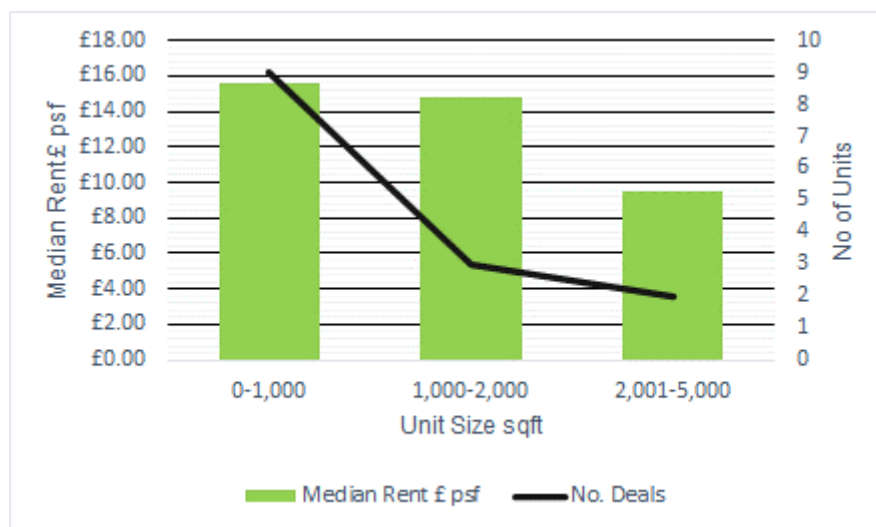
Unit 12, The Hopmarket, Worcester, WR1 1DL	104	£2,080	£20	19/08/2019
69, Barbourne Road, Worcester, WR1 1SB	401	£5,000	£12	06/08/2019
Ground, 47, Barbourne Road, Worcester, WR1 1SA	864	£8,500	£10	04/07/2019
Ground, 73, Barbourne Road, Worcester, WR1 1SB	564	£5,000	£9	24/05/2019
Unit 3, St Andrews House, Queen Street, Worcester, WR1 2PL	1,152	£18,000	£16	16/05/2019
63, Broad Street, Worcester, WR1 3LY	1,825	£22,916	£13	08/04/2019
64 Foregate Street, 63-64, Foregate Street, Worcester, WR1 1DX	945	£18,500	£20	01/04/2019
Ground, 9-11, Copenhagen Street, Worcester, WR1 2HB	1,010	£15,000	£15	09/03/2019
Ground, 32, Broad Street, Worcester, WR1 3NH	2,260	£20,000	£9	05/02/2019

Source: Egi (2019-2020)

3.28 Table 3.1 shows that in total there has been 15,584 sqft of retail space taken-up over the past year which has been recorded on EGi. For the units identified, achieved rents have ranged between £9.00 to £22.00 psf.

3.29 The graph at Figure 3.2 below shows the median rents achieved for different sizes of units.

**Figure 3.2 - Median Rents (Not Zoned) by Floorspace**



Source: EGi, January 2019 - September 2020



## Leasehold - Asking Rents

3.30 In our analysis, we have also considered the asking rents for retail space currently available to let in Table 3.2.

**Table 3.2 - Asking Rents**

Address	Size (sqft)	Asking Rent (£)	£ psf
35, High Street, Worcester, Worcester, Worcestershire, WR1 2QL	2,857	£125,000	£44
28 The Shambles, Worcester, WR1 2RA	3,080	£39,000	£13
14-16 Pump Street, Worcester, Worcestershire, WR1 2QY	2,497	£45,000	£18
64 High Street, Worcester, Worcestershire, WR1 2EH	3,341	£72,500	£22
12 Pump Street, Worcester, West Midlands, WR1 2QY	3,105	£35,000	£11
88-89 High Street, Worcester	3,590	£185,000	£52
76 High Street, Worcester	3,040	£79,500	£26
7c Ground Floor, St Martins Quarter, Worcester	3,330	£60,000	£18
4 & 6 Angel Place, Worcester, WR1 3QS	676	£12,500	£18
95 High Street, Worcester	3,967	£100,000	£25
68 Broad Street, Worcester, WR1 3LY	1,229	£40,000	£33
59-60 High Street, Worcester	2,172	£110,000	£51
45 Broad Street, Worcester, WR1 3LR	550	£11,000	£20
19, Mealcheapen Street, Worcester, WR1 2DQ	610	£22,000	£36
1 Broad Street, Worcester, WR1 3LH	615	£29,500	£48
7 Charles Street, Worcester WR1 2AQ	857	£15,000	£18
39, Friar Street, Worcester, Worcestershire, WR1 2NA	920	£13,000	£14
63 Broad Street, Worcester, WR1 3LY	1,238	£35,000	£28

Source: Egi, September 2020

3.31 From Table 3.2 above, we can see that rents widely vary, due to quality of space, size and location and prominence/visibility for example, units located on the High Street are within prominent retail shopping areas. It should also be noted that smaller units tend to generate inflated values on a psf basis.



3.32 Table 3.3 below breakdowns the availability across different floorplate ranges. It shows that the majority of vacant retail space ranges between 2,001-5,000 sqft. The largest unit available is located at 95 High Street.

**Table 3.3 -- Summary**

Sqft	Total Sqft Available	Median Rent £ psf	No. Units
0-1,000	4,228	£19	6
1,000-2,000	2,467	£30	2
2,001-5,000	30,979	£22	10
	<b>37,674</b>		

Source: EGi, September 2020

### Freehold - Investment Transactions

3.33 To determine a suitable yield, we have reviewed investment transactions in Worcester which have completed during the last year in Table 3.4 below.

**Table 3.4 - Investment Transactions**

Address	Size (sqft)	Achieved Price (£)	£ psf	Yield (Net Initial %)	Rent £ psf	Deal Date
7, Sansome Street, Worcester, Worcestershire, WR1 1UH	634	£135,000	£213	6.55	£33	02/11/2019
5, Foregate Street, Worcester, WR1 1DB	3,734	£995,000	£266	6.57	£41	07/08/2019
49, The Tything, Worcester, WR1 1JT	954	£315,000	£330	8.65	£38	29/05/2019
48-50 High Street and 3-6 The Shambles, Worcester, WR1 2QB	50,037	£8,150,000	£163	6.50	£25	03/04/2019
31-32, High Street, Worcester, WR1 2QL	3,582	£1,100,000	£307	7.64	£40	01/03/2019

Source: EGi (2019-2020)

3.34 The above properties are all relatively recent transactions achieving a net investment yield of between 6.5% for properties centrally located on the High Street to 8.65%. Rental values for these properties have ranged between £25.00 psf for the larger 50,037 sqft unit located at 48-50 High Street and £41.00 psf.

3.35 We have also considered property market reports. Knight Frank produced a yield guide (July 2019) for the UK and reported that for high-street retail in good secondary locations a yield of 8.25% would be expected.<sup>11</sup>

## Conclusions

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- 3.36 Based on the review of available evidence, it is clear that there is a large presence of retail within the town centre, both of national and independent outlets. We consider the demand is likely to be greater for convenience retail floorspace as opposed to comparison. This will most likely be in the form of an express-style store or budget operator occupying a smaller floor space.
- 3.37 For both types of retail space, we would recommend flexibility in terms of physical adaptability of spaces and lease terms. We expect that new build retail space could achieve rents of £20.00 psf and a yield of between 7- 7.5%.

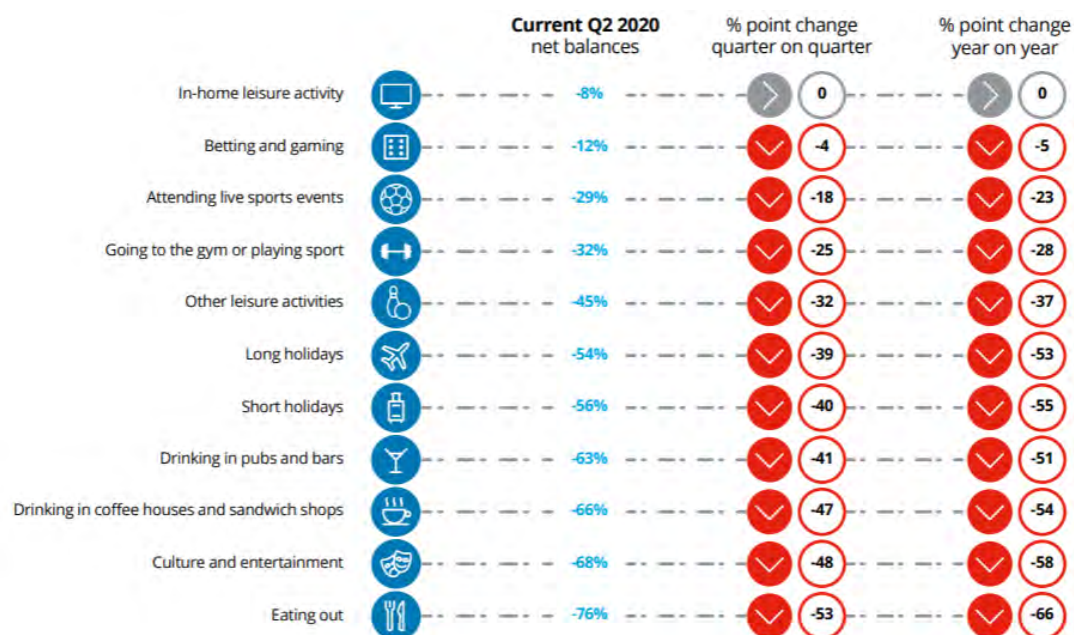
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<sup>11</sup> Knight Frank, *Yield Guide July 2020*

## 4 Town Centre Leisure

4.1 The COVID-19 lockdown has severely suppressed leisure spending, by removing virtually all opportunities to spend outside the home and forcing consumers to favour in-home leisure activities. Figure 4.1 below shows that for Q2 overall spending intentions are negative with only in-home leisure activities performing better than in the past.

**Figure 4.1 - UK consumer leisure spending in the last three months**



Source : Deloitte Consumer Tracker Q2 2020<sup>12</sup>

4.2 Estates Gazette have also noted a number of F & B operators now closing stores:

- Prezzo – 64 sites totalling 200,000 sqft of space
- Jamie's Italian – 12 sites closed totalling 91,000 sqft of space
- Byron Proper Hamburgers – 19 sites closed totalling 60,000 sqft of space
- ChimiChanga – 33 sites closed totalling 136,000 sqft of space
- Strada – 11 sites closed totalling 35,000 sqft of space
- Carluccio's – 12 sites closed totalling 36,000 sqft of space

4.3 These mid-market chains have been struggling more so due to a shift in casual dining habits and falling footfall at leisure parks. Millennials are choosing to eat in rather than out which has led to the rise of app-based delivery services such as Uber Eats and Deliveroo. Furthermore, there has been a rise in independent restaurants.

<sup>12</sup>The Deloitte Consumer Tracker Q2 2020

4.4 Poly Robinson Communication (PRC)<sup>13</sup> has identified a number of current trends in the sector, which we summaries as follows:

- **Keeping Millennial Diners Happy** – PRC state Millennial diners value individuality, uniqueness and adventure. They explain that they like to experiment and explore different styles of food and new cuisines. Also, convenience and affordability are also key to Millennials – the use of technology in the form of booking platforms, self-ordering and payment apps provide control and convenience.
- **Pop Up to Permanent** – linking into Millennials for trying unique and new dining experiences is driving the trend towards pop-up restaurants. The concept allows operators to test new concepts whilst allowing landlords to temporarily fill space.
- **Do you deliver?** – PRC explains that the food delivery market is expected to grow in value by 17% over the next two years, indicating it could be worth close to £5 billion by 2020 according to market analyst NPD.
- **Family-friendly dining** – there is a need for restaurants, pubs and cafés to be more family focus as by 2025 Millennials will make up 83% of all parents.
- **Provenance, sustainability and tackling food waste** – PRC explain that consumers are increasingly making more thoughtful choices about what they eat. This means restaurants sourcing organic or low-input produce, sustainable fish, seafood and meat. Furthermore, there is a rise in “flexitarianism” which means that restaurants need to find ways to reduce meat options.

## Worcester Leisure Review

### Tourism and Leisure

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4.5 The cities status as the principal shopping and leisure location in Worcestershire is evidenced by other tourism and leisure facilities that the town has to offer. Although, there are no leisure parks in the Worcester area, both Vue and Odeon cinemas are present in the city centre. Also present there are two ten-pin bowling facilities, gyms (including PureGym) and two bingo halls. There is also a number of museums also present (Tudor House Museum, Museum of Royal Worcester, Worcester City Art Gallery and Museum). Worcester also has both a Premier Inn and a Travelodge.

4.6 We have looked to identify achieved rents for leisure uses in Worcester.

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<sup>13</sup> <https://pollyrobinson.co.uk/blog/2020-uk-restaurant-trends-and-predictions>

**Table 4.1 - Achieved Rents - Leisure Uses**

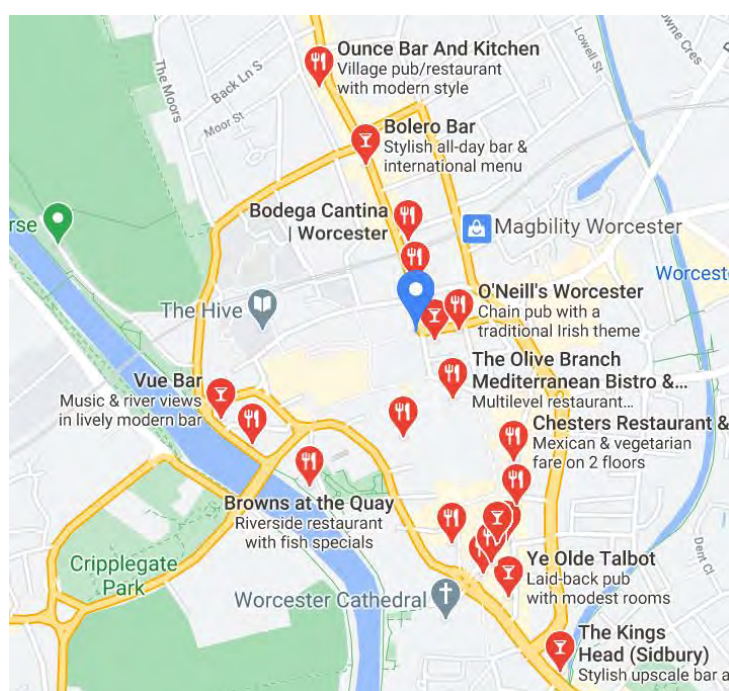
Address	Size	Achieved Rent (£)	£ psf	Primary Use Type	Deal Date
Trinity Street, Worcester, Worcestershire, WR1 2PW	4,542	£35,000	£8	Hotels and Leisure - Leisure Complexes (D2)	01/02/2020
Rear Store, 45, Broad Street, Worcester, WR1 3LR	510	£4,500	£9	Hotels and Leisure - General Leisure (D2)	31/05/2019

Source: EGi, September 2020

## Food & Beverage

4.7 The F&B economy is spread across the city centre. Although national brands are present (including Pizza Express, Cosy Club, Bills, Café Rouge, Browns, Nando's, Mac Donald's, Zizzi's), there is also a large presence of independents as can be identified by Figure 4.2.

**Figure 4.2 - Restaurants & Bars**



Source: Google Maps, September 2020

4.8 There is also a wide range of café and bakery options in the centre including a mix of both national brands (Café Nero, Costa Coffee, Pret a Manger, Starbucks) and independent operators.

- 4.9 We have looked to identify achieved rents for mixed-use retail currently available that is suitable for Restaurants and Cafes (use class Eb) and Drinking establishments and Hot food takeaways (use class Sui Generis).

**Table 4.2 - Leasehold Achieved Rents**

Address	Size (sqft)	Achieved Rent (£)	£ psf	Deal Date
16, Chapel Walk, Worcester, WR1 3LD	527	£15,000	£28	12/12/2019
14, Chapel Walk, Worcester, WR1 3LD	1,653	£19,064	£12	01/07/2019
21, Chapel Walk, Worcester, WR1 3LD	386	£15,000	£39	01/07/2019
6-7, Chapel Walk, Worcester, WR1 3LD	4,341	£70,000	£16	25/06/2019
12, Chapel Walk, Worcester, WR1 3LD	1,287	£16,500	£13	01/04/2019
15B, Chapel Walk, Worcester, WR1 3LD	911	£15,000	£16	01/03/2019

Source: Egi, September 2020

- 4.10 From our search we have identified 6 transactions of mixed use retail units located within the Chapel Walk shopping centre. Rental values for these units have ranged between £12.00 to £39.00 psf for second hand space. Again it can be seen that the smaller units command a higher price on a £ psf basis.

## Conclusion

- 4.11 The vacant premises in the town centre provide an opportunity to create pop-up space to re-purpose the town centre offer. But this will have to actively managed to create the flexible space and promoted to attract the footfall into the town centre. The current offer of cafes and bakeries provide an important supporting function for businesses, bringing further footfall will help the vitality of these businesses. This independent sector can be part of the tourism and leisure offer that can attract and retain new leisure visitors (and permanent residents).

## 5 Offices

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- 5.1 Typically, new office development is financially viable in major towns and cities. Generally, new development requires a pre-let in place to a blue-chip covenant – i.e. on a long lease to a high-quality tenant that is likely always to pay its rent and adhere to its obligations. This structure gives sufficient security to the investment to enable funding to be obtained.
- 5.2 In recent years the main drivers of demand for new office space have been finance, professional services, technology, media & telecommunications (TMTs) and flexible workspace providers. Since the referendum to leave the European Union there has been a slight cooling of office demand from finance and professional services, but demand from TMTs remains robust.
- 5.3 Large corporate occupiers seek high quality modern space in doing so are some prepared commit to a pre-let. Where new build space is not available occupiers will take second-hand space but it needs to provide a high specification. Environmental sustainability is important and many occupiers look seek high BREEAM ratings. Smaller occupiers will generally seek the best quality stock available for their budget. But because space has been lost through permitted development, there is generally less choice available in the current market as this is the most difficult type of space to fund without public sector subsidy.
- 5.4 Occupiers are typically seeking town/city centre locations to enable staff to be close to public transport and amenities. Access to public transport is important for occupiers in all locations, partially fuelled by the fact that younger people are not learning to drive to the same extent as previous generations.
- 5.5 Technology is changing the way in which people work in offices, both remotely and within buildings themselves. To respond to the changes, good quality, reliable digital infrastructure is ever more important. Technology is allowing occupiers to use space in more flexible ways, with the use of laptops, tablets and mobile phones connected through wifi there is no longer a need for “fixed desks.” More staff across all grades are “hot desking” thus reducing desk space requirements but in turn, increasing the need for “break out/flexible space.” This is a trend that is already being seen in new build office accommodation in London and to some extent in cities like Manchester, Birmingham and Leeds.



## Worcester Office Review

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- 5.6 With the infrastructure and population that comes with being a county city, the average transaction/ letting is higher than the rest of the county; most notably owing to a single letting at Perdiswell Park. However, there is strong demand within the sub-1,500sq ft category as occupiers look to take advantage of the multitude of period buildings which have been converted for office use
- 5.7 Availability levels have been cut in half to those of last year owing to the withdrawal of the former DEFRA site development in favour of a residential scheme, which was set to introduce 160,000sq ft of new Grade A office accommodation to the market.
- 5.8 Supply remains strong to the east of the city with plans for a 28,000 sq ft office building at Sixways Park.
- 5.9 The increasing disparity between headline and average rents reflects the demand for open plan floor plates on the business parks to the east of the city, which owing to the infrequency at which this space becomes available means good rents are being paid.
- 5.10 Average sales rates have remained consistent at £145/sq ft, perhaps owing to the lack of brand-new high-quality space that can justify an increase from this.

## Analysis

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- 5.11 We have consulted Rightmove to identify space which is currently being advertised to rent, including both traditional office space but also flexible serviced and managed workspace currently available in Worcester (WR1).
- 5.12 Figure 5.1 below provides a location map of office units currently available to let.



**Figure 5.1 - Office Availability**






Source: Rightmove, July 2020

5.13 Table 5.1 below provides details of properties listed and their asking rents.

**Table 5.1 - Asking Rents - Offices**

<b>Address</b>	<b>Size (sqft)</b>	<b>Asking Rent (£)</b>	<b>£ psf</b>	<b>Image</b>	<b>Comments</b>
<b>Castle House, 14 Castle Street, Worcester, WR1</b>	6,220	£55,000	£9		Castle House offers 6,220 sqft of office accommodation in a central location of Worcester with open plan and private offices.
<b>Unit 16 Lowesmoor Wharf, Lowesmoor, Worcester</b>	4,672	£33,504	£7		The premises comprise an office building arranged over the ground and first floor. The first floor comprises open plan and cellular offices together WC facilities. Over the ground floor there are cellular offices, meeting rooms, WCs, reception area and a kitchen
<b>18 Lowesmoor Wharf, Worcester, WR12RS</b>	1,349	£15,996	£12		18 Lowesmoor Wharf is one of the main buildings in the Lowesmoor Wharf Trading Estate. The office provides open-plan office accommodation whilst benefitting from separate meeting/private office's and multiple on-site parking spaces. WC's and a kitchen are within the office making it a self-contained unit.
<b>Copenhagen Street, Worcester, Worcestershire, WR1 2HB</b>	539	£4,308	£8		Town centre location with offices ranging in size from 539 sqft to 1,160 sqft. Office suites benefit from lift access, communal WC and kitchen facilities.
<b>Canalside Complex, Lowesmoor Wharf, Worcester</b>	1,145	£9,600	£8		Flexible working environment by having a partitioned meeting/separate office and open planned areas, whilst having a self-contained feel, benefitting from its own kitchen and WC's.
<b>3A Lowesmoor Wharf, Worcester</b>	1,111	£8,700	£8		The office allows a flexible working environment by providing an open plan space, also benefitting from a private office. Together with WC's and a kitchenette, this allows the office to be self-contained. Parking spaces are also available
<b>Foregate Street, Worcester, Worcestershire, WR1 1DX</b>	1,057	£16,848	£16		A 1,057 sqft ground floor office / retail property located on Foregate Street providing a mixture of open plan space, meeting rooms and a reception area with prominent window display. One car park space is

					located to the rear of the property.
<b>10A Lowesmoor Wharf, Worcester</b>	338	£5,400	£16		10A Lowesmoor Wharf is a 338 sqft self-contained office, located towards the back corner of Lowesmoor Wharf.
<b>Lowesmoor, Worcester, WR1 2RS</b>	336	£5,160	£15		These premises overlooking the canal are situated on the established Lowesmoor Wharf trading estate. The estate is situated close to the St Martins Quarter shopping centre and a few minutes' walk from Worcester's main High Street.
<b>The Tything, Worcester, WR1</b>	261	£2,616	£10		Second floor offices to let unfurnished. There is an additional charge for the joint services including cleaning, utilities & use of shared facilities

Source: Rightmove, September 2020

- 5.14 As can be seen by Table 5.1 above rental values for offices available range between £7.00 psf to £16.00 psf for units ranging in size of between 261 sqft to 6,220 sqft. It is usually expected that smaller units command a higher rental value on a £ psf basis.
- 5.15 As illustrated in Table 5.1 above, office space comprises mostly of second hand traditional stock offering a flexible working environment. There is currently no new build office developments or managed workspaces advertised as available to let.

### Leasehold - Achieved Rents

- 5.16 We have also undertaken a review of achieved rents for office / workspace recorded on EGi over the last year. The data available is presented in Table 5.2 below.

**Table 5.2 - Achieved Rents - Offices**

Address	Size (sqft)	Achieved Rent (£)	£ psf	Deal Date	Grade Of Space
<b>Unit 11G, Shrub Hill Industrial Estate, Shrub Hill Road, Worcester, WR4 9EL</b>	513	£3,432	£7	20/03/2020	Second-hand Grade B
<b>3, Sansome Place, Worcester, WR1 1UQ</b>	1,035	£10,000	£10	02/03/2020	Second-hand Grade B

<b>Unit 12A1, Shrub Hill Industrial Estate, Shrub Hill Road, Worcester, WR4 9EL</b>	250	£2,000	£8	01/02/2020	Second-hand Grade B
<b>17A, Ground, Shrub Hill Industrial Estate, Shrub Hill Road, Worcester, WR4 9EL</b>	540	£3,250	£6	01/02/2020	Second-hand Grade B
<b>Former Play Premises, Trinity Street, Worcester, WR1 2PW</b>	4,542	£35,000	£8	01/02/2020	Second-hand Grade B
<b>Suite 2 (1st Floor), Marmion House, Copenhagen Street, Worcester, WR1 2HB</b>	1,160	£9,280	£8	06/01/2020	Second-hand Grade B
<b>4, Edgar Street, Worcester, WR1 2LR</b>	1,180	£8,000	£7	23/09/2019	Second-hand Grade B
<b>1st, 63, Broad Street, Worcester, WR1 3LY</b>	526	£4,000	£8	18/09/2019	Second-hand Grade B
<b>4a, Lowesmoor Wharf, Worcester, WR1 2RS</b>	2,521	£18,600	£7	01/09/2019	Second-hand Grade B
<b>Suite 4, 3rd Floor, Marmion House, Copenhagen Street, Worcester, WR1 2HB</b>	529	£4,232	£8	01/08/2019	Second-hand Grade B
<b>2nd, 59-60, High Street, Worcester, WR1 2QA</b>	1,259	£8,000	£6	24/07/2019	Second-hand Grade B
<b>Unit 9, Canalside Office Complex, Lowesmoor, Worcester, WR1 2RS</b>	355	£4,800	£14	01/05/2019	Second-hand Grade B
<b>Unit 3A/B, Shrub Hill Industrial Estate, Shrub Hill Road, Worcester, WR4 9EL</b>	410	£3,500	£9	01/05/2019	Second-hand Grade B
<b>Entire Building, 54-55, Foregate Street, Worcester, WR1 1DX</b>	1,493	£8,250	£6	14/03/2019	Second-hand Grade B
<b>9 Edgar St - Ground &amp; 1st, 8/9, Edgar Street, Worcester, WR1 2LR</b>	904	£5,600	£6	01/03/2019	N/A
<b>Unit 17, Canalside Office Complex, Lowesmoor, Worcester, WR1 2RS</b>	344	£4,500	£13	01/03/2019	Second-hand Grade B
<b>Unit 11J, Shrub Hill Industrial Estate, Shrub Hill Road, Worcester, WR4 9EL</b>	239	£1,500	£6	22/02/2019	Second-hand Grade B
<b>9 Edgar St - 2nd &amp; 3rd floor, 8/9, Edgar Street, Worcester, WR1 2LR</b>	830	£9,000	£11	15/02/2019	N/A

<b>1st Floor, 1 Castle Street, Worcester, WR1 3AA</b>	800	£10,000	£13	07/02/2019	Second-hand Grade B
<b>Unit 19, Canalside Office Complex, Lowesmoor, Worcester, WR1 2RS</b>	358	£5,000	£14	01/02/2019	Second-hand Grade B
<b>Units 8 &amp; 18, Canalside Office Complex, Lowesmoor, Worcester, WR1 2RS</b>	543	£7,500	£14	01/02/2019	Second-hand Grade B
<b>8 Edgar St, 8/9, Edgar Street, Worcester, WR1 2LR</b>	792	£8,400	£11	01/01/2019	N/A
<b>Units 6 &amp; 7, Canalside Office Complex, Lowesmoor, Worcester, WR1 2RS</b>	686	£8,000	£12	01/01/2019	Second-hand Grade B

Source: EGi, 2019-2020

- 5.17 From the evidence above we can see that there has been transactional activity in the office market in last year with 21,809 sqft of space registered on EGi. The majority of transactions are for smaller size units of between the 0-1000 sqft and 1,000 -2,000 sqft bracket. In terms of rental values, the above transactions have achieved rents of between £6.00-£14.00 psf for secondary space which is as would be expected, they are lower than rents in Birmingham City Centre where rental values have ranged between £6.00 to £35.00 psf with an average achieved rent of £21.00 psf for the same review period.

## Freehold – Investment

- 5.18 In terms of investment transactions, we have only been able to identify the most recent being;

**Table 5.3 – Investment Transactions**

Date	Address	Size sqft	Net initial yield	Rent £psf
15/01/2020	Restdale House, 32-33, Foregate Street, Worcester, WR1 1EE	4,602	13.28%	£23.09

Source: EGi, 2020

- 5.19 The above transaction is a second hand serviced office space, accounting for the higher rental value on a £ psf basis. Due to limited evidence on a local scale, we have also considered property market reports. Knight Frank yield guide (July 2020) states for major regional cities offices yields are 5%. Given the secondary location of Worcester, we would expect offices to achieve a yield in the region of 6-7%.

## Conclusion

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- 5.20 In Worcester, the demand for offices comes from civic organisations, administration and local SME's providing professional services across the city and its hinterland. The demand has traditionally been satisfied by repurposed period buildings. The majority of transactions are for less than 1,500sq.ft of space.
- 5.21 Rental values that have been achieved are not of a significant enough level that would viably deliver new-build office development without public sector involvement. In our view, it would be more commercially viable to deliver space through conversion and refurbishment but again depending upon scale this is also likely to be challenging commercially unless a pre-let can be secured at an appropriate rental value which would significantly reduce risk.
- 5.22 Office demand in Worcester is likely to come from smaller businesses and start-ups which will require flexibility. Demand will come primarily from local people who are seeking to have formal spaces which enable greater productivity through high speed broadband, availability of meeting rooms, ability to network and secure support.
- 5.23 As the High Street struggles, Worcester needs to address the shifting geographical location of its office market in order to attract office workers to the city centre. This can be addressed by looking at the conversion of the upper floors above retail accommodation, parts of which are currently underutilised

## 6 Conclusions and Recommendations

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- 6.1 Worcester City Council is seeking to attract significant investment into the centre as the town continues to develop as a major driver of economic growth in Worcestershire. A key opportunity for achieving this growth is the creation of a Town Investment Plan for Worcester.
- 6.2 We have undertaken a review of the property market in Worcester. This is a holistic view of the investment potential of the town for the sectors that are most impacted by investment from the Towns Fund. This means the retail, residential and office sectors.
- 6.3 Worcester is the administrative centre for the county and the primary location for non-food shopping. It is a major focus for employment in local government, manufacturing, logistics as well as leisure opportunities – for residents and visitors.
- 6.4 Private sector investment is generally concentrated in higher value areas where there is greater certainty of market demand and development value. As evidenced in this report, the only clear evidence of private sector activity has been in the residential market where there is confidence of demand for new housing.
- 6.5 Although the town centre has a wide-ranging shopping offer, and is the main non-food shopping centre for the area, for many years there has been little investment in new floorspace. Retail investment has been restrained.
- 6.6 There has been no significant investment in new office development for some time. There is a significant amount of secondary office stock in Worcester of varying specification and quality. As would be expected of a historic county town, much of the existing office stock ranges from period buildings converted into offices, premises above shops and purpose-built office from the 1960's to 1980's. In our analysis, we have been unable to identify any Grade A office stock.
- 6.7 Rental levels and capital values for second hand space remain strong, as companies look to remain involved with the strong business network of the county city. If it is to continue to compete however, Worcester does need to address the availability of good quality space. This is particularly prevalent in the freehold market whereby opportunities need to be created to match the appetite from the owner occupier and investment markets.
- 6.8 Town Centre residential needs to be part of the mixed-use, sustainable future for the town. There is demand in the southern town centre area for new apartment and retirement accommodation. These are small scale interventions needed to facilitate development. We would expect that city centre opportunities will be delivered by a combination of commercial developers and Registered Providers.
- 6.9 To provide further evidence of the attractiveness of the town and the advantages of its location, there is good demand for suburban housing sites. To capture the benefits of a new population



on the edge of town, it is vital that the town centre is appealing with a wide range of shops, cultural activities, leisure opportunities and jobs.

## Swot Analysis

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Strengths	<ul style="list-style-type: none"> <li>• Heritage</li> <li>• Good motorway links</li> <li>• Good rail links to Birmingham</li> <li>• Active residential development.</li> <li>• Established retail destination with a good offer of both comparison and convenience retailing in the town centre.</li> <li>• Tourism and Leisure destination</li> <li>• County Town</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Reliance on attractiveness of the city has led to complacency on the need to continue to invest</li> <li>• Competing locations have more modern property offer</li> <li>• Gateway locations give poor first impressions</li> <li>• Too much retail space</li> <li>• Lack of vitality outside working hours</li> <li>• Values do not support new office development</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Town Investment Funding</li> <li>• Changing working patterns post Covid19</li> <li>• Public Investment in economic development projects</li> <li>• Smart city/digitisation of the high street through WiFi etc. to increase footfall and help business thrive/grow, experimenting with new technology e.g. charging points.</li> <li>• The development of space for start-ups, existing firms and independents e.g. in redundant space (vacant shops).</li> <li>• New uses to increase vitality e.g community/health/social hubs.</li> <li>• Enhanced quality, availability and variety of shops, services and facilities</li> <li>• Planning as catalyst for change.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Failure to invest leading to decline in townscape</li> <li>• Competing towns may 'up their offer'</li> <li>• Further growth in online retailing</li> <li>• Weakening of the property market</li> </ul>



## Recommendations

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- 6.10 In the future and in line with its strategy, Worcester city centre needs to move beyond retail and further develop as vibrant centre for living, culture, entertainment, leisure, shopping, business and civic activity. It needs to constantly evolve to remain economically vibrant. Local people must want to use it and be proud of it. Visitors must still be attracted to visit and spend leisure time here.
- 6.11 There needs to be a smaller retail core, supplemented by the further development of a wide range of uses such as food and leisure, accessible and affordable transport, a range of market, affordable and retirement housing, care facilities and a greater number of office and civic functions.
- 6.12 There is opportunity for county towns and service centres like Worcester. High streets are suffering and are disproportionately affected by the changing face of retail – and now COVID-19. Yet as we reflect on medium to long-term changes, it would seem to follow that service centres are well-placed for recovery, as they will continue to be the hub of their communities.
- 6.13 As such, we believe there are some trends and actions that we can take to use those trends to reposition Worcester as a service centre hub for the next fifty years.
- Flexible working and the mix of work life into home life and the subsequent impact on well-being. Reduced commuting could well be a long-term impact of the pandemic and demand for smaller, more local co-working space may result from this.
  - Residential development to replace outmoded retail (or office) buildings. This can enhance vitality and viability by increasing the number of people using the town centre at all times of the day;
  - The new population will add to the customer base of the existing retail and leisure outlets, it can also attract new ones to locate here
  - Tighter communities based around where we live, work and spend our leisure time ought also to offer some solutions for addressing care for the elderly and vulnerable, by making them part of that community. They will also provide a ready market for retail and leisure outlets.
- 6.14 Whilst there will be viability challenges, these uses move towards flexible working, and capitalise on that to deliver housing and right-size commercial town centres whilst consolidating non-residential uses and promoting local economic growth.

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