



04 | Market Overview

The Market Baseline Report (Cushman and Wakefield) reviews the current market conditions for office, retail, leisure and residential uses in order to inform the development of the Solihull Town Centre Masterplan. A summary of the key headlines is provided in the section below.

This guidance has subsequently steered the 'Areas of Change' (section 9) with more detailed guidance on the type and scale of development.

4.1 Office Market

Solihull is regarded as a good location for business both in terms of its proximity to a large pool of skilled labour but also the amenable working environment the town presents. This is demonstrated by the notable latent occupier demand for space in the town centre, which underpins the rental premium over out of town that the town centre is developing. Analysis of take up within the town centre illustrates that there is significant pent up demand for space within the town centre, accompanied by relatively low levels of occupier churn. The occupier market is generally characterised by settled, long term occupiers of local, national and international standing such as British Gas, Excocite, NPower, United Utilities, Paragon and National Grid.

Solihull Town Centre is a component of what is termed the Birmingham Out-of-Town (OOT) market, which in recent years has been driven by the automotive and transport sectors. The current stock of office space is relatively low, particularly in comparison to Birmingham. This is because, despite recent healthy levels of take up, there has been little development of new out-of-town space. The vast majority of current out-of-town space is located in business parks, however reflecting recent trends amongst corporate

occupiers in financial and professional services, there is an increasing preference to strong town centre locations rather than out of town areas.

Whilst ostensibly the out of town and town centre office markets are well defined, in the medium to long term, the scale of UK Central growth will serve to cap rental growth in Solihull Town Centre, threatening rental security, a key factor when considering new development.

Currently rentals are at a level in Solihull Town Centre that are maintainable over the out-of-town market on the basis of the view businesses take on wider occupancy costs and risk considerations, in particular, the access and appeal to skilled labour. Indeed the masterplan presents the opportunity to guide and give occupiers confidence regarding the overall town centre offer of Solihull.

In the longer term supply at UK Central may grow to a point such that threatens the current rental premium over out-of-town, if a defining and appealing overall product (a combined function of a good supply of new Grade A space alongside the well regarded amenity, which can be mutually reinforcing) is not in place.

There is pent up demand for office space in Solihull Town Centre, and the development is generally favourable for further office development, which we suggest should initially focus on the Homer Road Triangle area (at least 50,000 sqft) in order to address this demand and assist the overall town centre offer, especially considering the longer term competition likely to emerge from UK Central.

4.2 Retail Market

In order to maintain the current success of the High Street, there is a need to keep the retail circuit tight, and therefore an opportunity site should only be developed as retail/leisure/food and beverage if the site has a quality that can present something unique to the town centre and relates well to the circuit.

A gap analysis exercise was carried out to understand which brands for both food and beverage and retail were currently missing from Solihull. This list is contained within Appendix A2.

With regards to food and beverage, occupiers have typical requirements of 1,000 to 1,500sqft and their preferred location would likely be as part of a wider food and beverage offer within a retail scheme. On this basis, if there was an actual requirement for the town centre from this group of brands, we would expect the interest to focus on Touchwood or Mell Square, especially in mind of:

- Touchwood II, expected to accommodate around 110,000 sqft of additional retail and leisure over 21 retail units and 9 catering units; and
- Whilst the remodelling of Mell Square is not expected to create a large net additional space, there will also be space for new occupiers, with a view especially on improving the food and beverage offer.

With retail, occupiers have typical requirements of 5,000sqft or less and again we would expect interest in this market to be focussed around Touchwood, Touchwood II and Mell Square.

A health and fitness operator, such as Fitness First (typical requirement in the region of 10,000sqft), would be a welcome presence in the town centre, and would be a complementary occupier in proximity to new office space.

4.3 Residential Market

The relatively low volume of recent transactions, and indeed marketed homes, combined with the premium prices, reflects a very large pent up demand for homes in and around the town centre. In particular, the popularity of family suburban living, and the acute lack of supply (in terms of homes coming on to the market) within walking distance of the town centre is exemplified by the very low levels of recent transactions and homes being marketed in these areas.

When developing options for the Masterplan, a number of factors should be considered in relation to the residential market:

- Older households, many of whom may have “downsized” are an important market in the town centre, which will have bearing in average apartment size (upwards) and hence achievable densities;
- A premium is achievable for apartments within easy walking distance of town centre facilities, and whilst apartments further away, sell well, their relatively lower prices reflect their more peripheral positioning; and
- There is acute pent up demand for family houses at traditional suburban densities in proximity to the town centre, and it is this product that developers would seek to promote on the periphery of the town centre.





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