



Solihull & M42 office market insights for 2021



In this report, spanning a six-year period from 2015 to 2020, we look at the long-term trends of the Solihull and M42 office market, including Greater Birmingham's popular out-of-town office locations, occupier behaviours and sectoral analysis.

Aerial CGI of Arden Cross, the site of the HS2 Interchange Station and a new mixed-use destination

Front page image – Birmingham Business Park

The Solihull and M42 office market

Solihull benefits from excellent communication links, as well as a wealth of local amenities. This makes the area an obvious choice for businesses looking for a strategic office location.

Situated in the geographical centre of the country, Solihull and the surrounding areas enjoy superb road, rail and air links due to their proximity to the M42 / M6 / M40, Birmingham International Railway Station and Birmingham Airport. Businesses are also supported by a wide range of local amenities, including the NEC, Resorts World, and multiple retailers in Solihull town centre, as well as hotels and leisure facilities.

Prominent commercial locations within Solihull include Birmingham Business Park, Monkspath Business Park, Cranmore, FORE, Solihull Office Park and Blythe Valley Business Park. The Solihull economy is known for outperforming every other West Midlands subregion, particularly in the automotive, engineering, manufacturing and professional services sectors.

The area is also subject to significant future investment and development, including:

- The Hub – an area comprising Birmingham Business Park, the NEC, Birmingham Airport, Arden Cross and Jaguar Land Rover
- HS2 Interchange
- Redevelopment of Birmingham International Station
- Westgate and Eastgate developments within Solihull town centre
- Transforming Solihull train station into an integrated transport hub



CGI of plans agreed to transform
Birmingham International train station

Popular office space size brackets

Solihull is one of few office locations in Greater Birmingham that can offer businesses large, high quality floor plates and the space they need to grow.

Office transactions by size bracket in Solihull/M42, 2015–2020

Size bracket (sq ft)	Total take-up (sq ft)	% share of take-up	No of transactions	Average transaction size (sq ft)
100,001 +	113,657	6%	1	113,657
50,001–100,000	143,883	7%	2	71,942
20,001–50,000	317,006	16%	11	28,819
10,001–20,000	473,719	25%	36	13,159
5,001–10,000	345,891	18%	46	7,519
2,001–5,000	411,302	21%	125	3,290
1–2,000	117,568	6%	93	1,264
Total	1,923,026	100%	314	6,124

Sweet spots

The table above analyses the average letting size within a specified size bracket. The results suggest the optimum suite and floor sizes for occupiers within each bracket.

2,001 to 5,000 sq ft

2,001–5,000 sq ft is the second largest bracket for office take-up in the past six years – representing 21%. Lettings in this size bracket predominantly take place within towns, rather than business parks, namely Solihull, Shirley and Coleshill.

10,001 to 20,000 sq ft

The size bracket of 10,001–20,000 sq ft is a particularly popular area of the market. Over the past six years, this area of the market has accounted for 25% of all office space transacted, over 470,000 sq ft. Within this bracket, the average letting size is c. 13,000 sq ft.

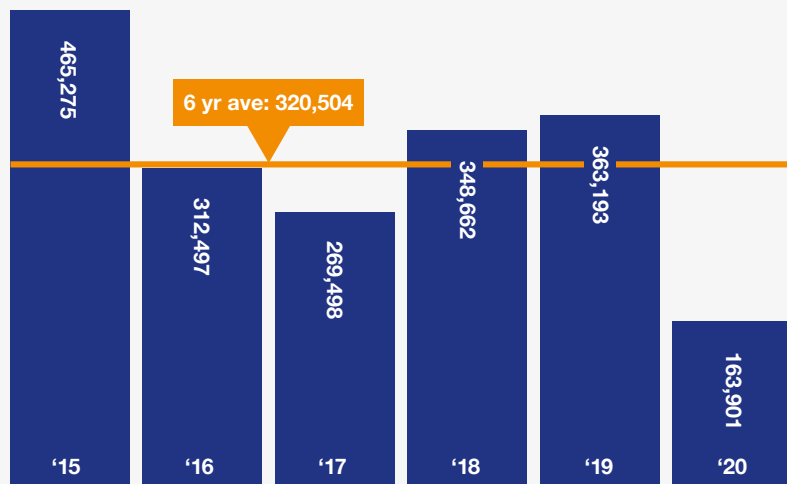


Consistency

The Solihull office market is highly resilient. This level of consistency is due to the strength of the area's appeal and the broad range of sectors from which it attracts occupiers.

The 6-year average for the market is c. 320,000 sq ft. Each year stays consistently close to that total, remaining within c. 15% above or below the long-term average. 2015 is one exception and this was due to the pre-let to Interserve, which accounted for c. 114,000 sq ft. Without it, that quarter would have been c. 350,000 sq ft – 10% above the long-term average. 2020 reflected the British economy's biggest annual decline in 300 years.

Solihull/M42 office annual take-up (sq ft)



Ingenuity House, next to Birmingham Airport – formerly Interserve House and now available as the largest piece of BREEAM Excellent, Grade 'A' office space in the market



FORE Business Park, J4 M42



Dominion Court, Solihull town centre



Key office locations

As you'll see below, the geographical market is not a single area. It comprises several key locations in and around Solihull, as well as further south at Redditch and Bromsgrove.

Office transactions by sublocation in Solihull/M42, 2015–2020

Location	Total take-up (sq ft)	% share of take-up	No of transactions	Average transaction size (sq ft)
J6 M42 – Solihull / Coleshill	882,987	46%	131	6,740
J4 M42 – Solihull / Shirley	646,050	34%	80	8,076
J5 M42 – Solihull town centre	273,243	14%	67	4,078
J2/3 M42 – Redditch	92,917	5%	27	3,441
J1 M42 – Bromsgrove	27,829	1%	9	3,092
Total	1,923,026	100%	314	6,124

- Junction 6 of the M42 represents the largest single location for take-up. This is primarily due to the size and quality of office space on Birmingham Business Park. This park has c. 1.4 million square feet of office space and, over the past 6 years, has seen c. 38% of its space transacted (c. 538,000 sq ft).
- Junction 4 of the M42 accounts for the second largest share of take-up – equating to 34% of the market. Key developments and commercial areas here include Blythe Valley Business Park, which has seen several high-profile lettings and pre-lets over the period, and Cranmore and FORE.
- The volume of take-up within Solihull town centre is significantly less than the above two areas. Whilst it does have some larger office space, it's primarily smaller lettings that take place here – with the town attracting many of the area's SMEs. It is, however, also worth noting that some of the office space here has been converted to residential. As such, plans by Solihull MBC to build up to 540,000 sq ft of new office space in the town centre, are strongly welcomed.



Business sector analysis

One of the key reasons behind Solihull's resilience is the diverse range of sectors it attracts.

This means that whilst the market enjoys a consistent level of overall take-up, different sectors prevail from year-to-year. This diversity gives it strength and longevity.

The table to the right shows the sectors that have taken space over the past six years:

- Whilst the professional services sector accounts for the largest amount of take-up, it also has one of the lower averages for transaction size. This indicates that landlords and developers with office suites of c. 5,000 sq ft would do well to target this sector.
- Serviced office operators represent the largest average transaction size at c. 19,500 sq ft. However, unlike Birmingham city centre – where serviced office operators have been a dominant occupier, they represent just 4% of take-up in Solihull over the past six years.

Given the history of the area and the presence of Jaguar Land Rover, businesses in Automotive, Manufacturing and Engineering are some of the most prevalent occupiers in the market. This does, however, cover a wide range of businesses, including recent transactions such as Lely – dairy farming equipment manufacturers, Vaisala – environmental consultants and equipment manufacturers, and Minebea – electronic measuring equipment manufacturers.

Changan is a prime example of an automotive business investing inwardly in Solihull. In 2014, Changan purchased c. 80,000 sq ft on Birmingham Business Park, across five buildings known as Parkside. The business was also granted planning permission to demolish and rebuild one of the buildings, 3600 Parkside, to create a new, state-of-the-art research and development centre.

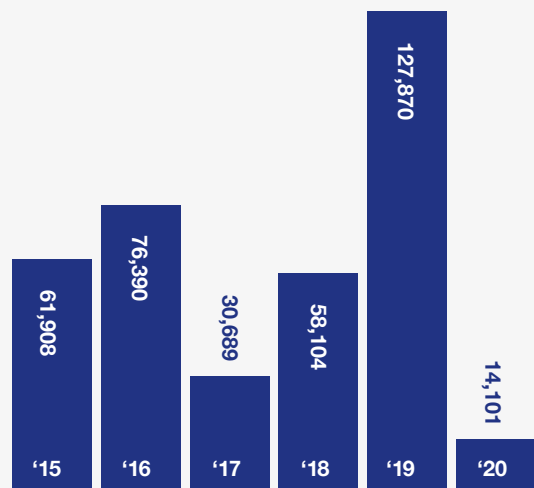
Sector	Total take-up (sq ft)	% share of take-up	No of transactions	Average transaction size (sq ft)
Professional Services	386,263	20%	74	5,220
Automotive, Manufacturing & Engineering	369,062	19%	45	8,201
Other	351,146	18%	60	5,852
TMT	323,916	17%	57	5,683
Construction	124,074	6%	25	4,963
Utilities	114,698	6%	11	10,427
Financial	99,335	5%	16	6,208
Serviced offices	77,797	4%	4	19,449
Education, Recruitment & Training	76,735	4%	22	3,488
Total	1,923,026	100%	314	6,124

Other defined as: e-retail, scientific research, health & beauty, medical, charity, veterinary, pharmaceutical, childcare, education, healthcare, lighting, etc.

Professional services defined as: outsourced services, property developers, consultants, legal, accounting, insurance, marketing, architects, etc.

Creating opportunities specifically geared towards the Automotive, Manufacturing and Engineering sector should be considered. This could mean developing more hybrid space that incorporates both standard office floor plates and flexible space that is easily adaptable to their needs.

Automotive, Manufacture and Engineering



2019 was a particularly strong year for this sector, which was attributable to two major transactions – ZF Automotive and GKN Aerospace.

Whilst Birmingham city centre has a more traditional occupier base, the variety of occupiers in the wider Solihull market means that, from office to office, you will see a more dynamic range of setups. From labs and R&D space to e-commerce businesses with showrooms and creative collaboration spaces – Solihull offices look different. Not only that, but the expectations are different too.



Lack of stock

Whilst the market has been consistent and resilient over the past few years, you could argue that it is not achieving its full potential. The primary reason for this is the drought in available stock.

Record take-up at key areas, such as Blythe Valley Business Park and Birmingham Business Park, for several consecutive years has eroded high quality office stock.

The impact of this, more recently, has been that occupiers are remaining within their existing premises rather than relocating, simply because there is a lack of alternative options.

At this moment in time, demand has effectively created a one-in-one-out situation, where an occupier vacating a property gives another occupier an opportunity to take office space.



Blythe Valley Business Park

Rents

Rents in Solihull have been rising fairly consistently, due to:

- The demand for offices in the wider Solihull market
- The shortage of available stock
- The level of refurbishment being carried out, including the replacement of M&E

The highest rent achieved in the area is £27.85 per sq ft. This was achieved when Arup took 65,000 sq ft on Blythe Valley Business Park back in 2007. Arup required a very specialist building and this was represented in the rental value. However, some of the more recent lettings have achieved close to this high watermark – with £25 per sq ft now regarded as common for new high quality office space.

The rents that new and refurbished offices can now command, in the Solihull area, promise appealing yields for investors and developers – giving justification to build new space.



Cooper Parry, Blythe Valley Business Park

Case to start building

There is a credible argument to build. Given the gap between supply and demand, now is a good time to consider new build projects in Solihull.

Prior to the pandemic, we saw an increase in pre-lets, such as the 90,001 sq ft Plot A to ZF in 2019, and 15,081 sq ft at FIRST to Jerroms in Q3 2018, both on Blythe Valley Business Park.

These pre-lets strengthened the case for speculative development, with landowners taking tangible steps to address the office space drought in this area. Despite the pandemic, the gap between future demand and supply still exists. Consequently, the proposals that had been considered by landowners should be reignited.

Building new offices would give businesses, who have been seeking space for some time, a foreseeable option for occupancy.



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Attributed with the majority of office space transactions in the Solihull and M42 market, we bring together a variety of commercial property services developed over the last 30 years within a multi-disciplinary practice.

As part of our regular commercial property research, we produce quarterly reports that can be found at www.kwboffice.com/research. These comprise details of the transactions taking place, together with commentary, insights, and professional advice, which informs major decision-making for our clients and ourselves.



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