

SANDWELL LOCAL PLAN 2024-41 EXAMINATION**SCHEDULE OF ACTION POINTS FOR THE COUNCIL****Day 2 - Matter 2**

2.12	Signpost the inspector to evidence of demand for offices and what the trend might be across the plan period. Include any evidence that shows the need is elsewhere in the Black Country.
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1. Black Country Centres Study Addendum 2022 – Office Market Overview

- 1.1 The effect of the pandemic was acutely felt in the office sector as the nation was asked to stay at home. In 2021 the effects started to fade as a return to offices began and at the start of 2022 there was the beginning of some level of consistency. In October 2022, daily office occupancy averaged close to 30% nationally, after levels nearer to 25% had been the norm earlier in the year.
- 1.2 In 2022, the office market has been impacted by high-cost inflation and rising finance costs. According to our own research, whilst take-up is only likely to match 2021 levels, the year has seen an improving depth to activity. Rising activity has highlighted the importance of quality provision. The pandemic's legacy of increased hybrid working is pushing occupiers in ever greater numbers to exchange quantum for quality. The pressure to do so has also strengthened on the back of unprecedented rises in energy costs with the added business case for occupying environmentally efficient buildings.
- 1.3 The focus on quality has been reflected emphatically in rental levels, with the delivery of best-in-class product driving a step-change in prime headline rents across a host of regional centres in 2022. Conversely, this emphasis on quality provision points to potentially accelerated rates of obsolescence for 'ordinary'/ 'poorer' quality space.
- 1.4 The move to quality space is demonstrated regionally by the Birmingham City Centre office market. LSH research indicates that up to third quarter of 2022, Grade 'A' space accounted for a record 74% share of total take-up in 2021, while 2022 at the time of writing this report is on course to post a similar result. The focus on quality over quantum has emerged as a key theme, with several high-quality developments providing ample opportunity for occupiers to upgrade; examples including Two Chamberlain Square, 103 Colmore Row and One Centenary Way. Grade 'A' take-up has pushed the city's prime headline rent through the £431/sqm (£40/sq ft) barrier.
- 1.5 However, the provision of new-builds and refurbishments is slowing markedly. High build costs and a sudden pricing correction have stymied developer appetite, meaning new construction starts are forecast to be few and far between

in 2023. With an increasing focus on Environmental, Social & Governance (ESG) credentials and staff wellbeing, occupiers may struggle to find a solution to match their ambitions in the near future.

- 1.6 Major employers are taking widely different approaches to the return to the office. Most companies are navigating a middle ground where hybrid working has been adopted, but an increased level of office attendance is encouraged.
- 1.7 For occupiers in regional UK cities seeking to bring workers back to the office in greater numbers, commuting times may be a less significant obstacle than they are, for example, in London. To build on this advantage, firms will need to provide attractive office environments that encourage workers to actively choose to come into the office.
- 1.8 As detailed in the '2021 Black Country Centres Study Update', the office market in the BCLA received a significant boost in 2021 when the Government decided to create a second headquarters based in Wolverhampton City Centre for the Department for Levelling Up, Housing and Communities (DLUHC). The chosen headquarters building was i9. The i9 development was completed despite economic challenges associated with the pandemic, opened in 2021 and is currently fully let. It is the first office building in the Black Country to be awarded a 'Wired Score Gold' certification in recognition of its digital connectivity and infrastructure. It is also 'BREEAM' Excellent rated to guarantee the long-term sustainability of the building and lower any potential impact on the surrounding environment.
- 1.9 The office market in Wolverhampton City Centre has been successfully kick-started with the delivery of the i9 development that emerged following the success of the i10 complex on the opposite side of Railway Drive at the Interchange in the City Centre, with both being delivered by the Council and property developer, Ion. This provides the opportunity to continue to expand the commercial-led office cluster to deliver regeneration.
- 1.10 The infrastructure investment in place in Wolverhampton City Centre will help enhance the significant benefit of being just 15 minutes away from Birmingham by train. The redevelopment of the railway station and the extension of the Midland Metro as part of the Interchange scheme make the centre a more attractive place for business.
- 1.11 The Council's current strategic aspirations for a developing office market are included in a new 'Wolverhampton Investment Prospectus' that was launched in May 2022 at the UK Real Estate, Investment & Infrastructure Forum. In this document the Council aspires to the growth of the Interchange Commercial District to deliver grade 'A' office space on strategic sites at the heart of an integrated regional road, rail and tram hub. This can provide a catalyst to support further investment through the delivery of a complementary mix of uses.
- 1.12 Current office rents in Wolverhampton stand at £114.64/sqm (£10.65/sqft) with a market yield of 8.7% (yields having positively moved in from 11.5% in 2012)³¹. In comparison, as stated previously, the equivalent for Birmingham City Centre

for prime Grade 'A' space has increased to £431/sqm (£40/sq ft) with prime yields at a keen 4.5%³².

- 1.13 It is the case that when comparing new centre-based office space Wolverhampton City Centre now performs strongly within the Black Country. The key competition in terms of geography will be Birmingham City Centre with its critical mass and associated infrastructure.
- 1.14 As occupiers focus more on the ESG agenda this may necessitate a movement from older stock. Hence this will be an exercise for the wider BCLA sub-region to determine how more organic levels of demand can facilitate bringing forward new office developments. For both Wolverhampton and other Black Country centres to compete with other larger centres is also dependent on how older stock is retrofitted to satisfy green and ESG credentials.
- 1.15 In our opinion, as the office landscape is changeable, consistent with the 2020 and 2021 reports, we continue to urge caution in predicting the scale and type of future office space development in the post-pandemic landscape. As office uses will continue to be an important element of centres and future new provision in the office market will be market-led, it will be important to help facilitate a supply of a choice of potential sites to provide a catalyst for office clusters, attracting future investment jobs and regeneration. Policies through Tier-Two plans, such as a "reservoir approach" when looking at site specific supply in centres and supporting offices as part of a wider mix of uses in centres can help facilitate further office growth and contribute to the strategic priorities for the Black Country. We maintain this is a reasonable continuing policy approach.
- 1.16 The BCLAs separately commissioned Warwick Economics and Development (WECD) to update the Black Country Economic Development Needs Assessment (EDNA) in April 2022.
- 1.17 The 2021 EDNA indicated that the Black Country was anticipating an additional 5,538 Full Time Equivalent (FTE) jobs requiring 66,456 sqm to 2039. In the 2021 Black Country Centres Study Update' we had reported that the British Council for Offices (BCO) recommended space standard at the time was 8 sqm to 10 sqm (86 sqft to 108 sqft) for each workspace, not including breakout space or amenity areas. Whilst this was generous, this has subsequently increased further with the BCO reporting a standard of between 10 sqm to 12 sqm (108 sqft to 129 sqft) for the post-pandemic world of work. This accounts for the rise in people working from home and hot-desking when in the office, while simultaneously ensuring the workspace meets modern employers' requirements to promote productivity and wellbeing, as well as targets to minimise carbon emissions. This will have an impact on any office space quantum but will depend on the end occupier. Professional, scientific and technical services, for example, will accommodate their staff differently to, for example, utilities.

2. Overview of the office market – EDNA 2022

- 2.1 The office market is constantly shifting, with changes specific to location. The Covid-19 pandemic has led to an increase in remote working and put relocation decisions on hold – Grade A and flexible office space is in demand.
- 2.2 Open Move reported that most office buildings are purchased by investors to turn into residential units. For example, [Intersection House in West Brom was recently bought for £4 million for residential redevelopment](#) – it was previously occupied by Interserve, before lying vacant for 18 months. The office market value is low and significantly decreases its demand.
- 2.3 LSH reports that the office market is volatile and difficult to predict currently. However, cost savings are a significant driver. This may make areas within the Black Country attractive, with Wolverhampton, a short distance from Birmingham, representing a 30% plus rental discount for prime accommodation. For example, the Department for Levelling Up and Communities [recently announced that the i9 building in Wolverhampton will be its second HQ](#).

3. ENDA Update November 2024

- 3.1 Whilst the focus of EDNA is on industrial employment land uses, for information, the potential requirements in terms of office floorspace (m²) are presented in Table 1. These estimates, whilst based on FTE employment within office type uses, are informed by the relation of office type use employment to GVA.

Table 1. Future floorspace requirements for office uses (2020 – 2042)

	Based on new OE forecasts	
	FTEs	Floorspace sq.m.
Dudley	-2,504	-30,048
Sandwell	1,172	14,064
Walsall	-50	-600
Wolverhampton	2,612	31,344
All BCLAs	1,230	14,760

- 3.2 Future demand for floorspace will depend on various factors including, as noted earlier, the implementation of the new modern industrial strategy at local and subregional level and requirements of modern economy (e.g. data centres and laboratories). At this stage, however, there is no evidence to suggest a significant increase in demand for office space across the Black Country.
- 3.3 Furthermore, the broad local feedback implies that although the **total** future office floorspace demand based on the OE forecasts (i.e., 14,760 sq.m over the planning period and approximately 670 sq.m per annum across all four BCLAs) could be accepted within the bounds of credulity, the distribution of this between the BCLAs is not possible to ascertain at this stage. Nevertheless, it could be assumed that, as a result of the developments taken

place in the West of Wolverhampton, the majority of the projected office demand (75%) will be in Wolverhampton, with the remaining 25% equally distributed among the other three BCLAs (as shown in Table 2).

Hypothetical distribution of future floorspace requirements for office uses (2020 – 2042) among the four BCLAs

	Hypothetical distribution of total future demand for offices sq.m among BCLAs
Dudley	1,230
Sandwell	1,230
Walsall	1,230
Wolverhampton	11,070
All BCLAs	14,760

4. Sandwell Office Market

- 4.1 Over the last ten years there has been 14,225 sq.m of new office space built in Sandwell. This floorspace was due to two developments: the new West Bromwich Building Society HQ (6,500sq.m), at Providence Place, West Bromwich and the new West Midlands Ambulance Service offices (7,725sqm) at Shidas Lane, Oldbury.
- 4.2 The West Bromwich Building Society was on a site allocated for office development in West Bromwich town centre, while the Ambulance Service offices was built on a site allocated as Strategic Quality Employment land on the Sandwell SAD Policies Map.
- 4.3 Other office developments in Sandwell have been minor office extensions to industrial/warehouse premises and there is no further information to indicate further additional demand.
- 4.4 The last speculative office development in Sandwell, was the building of the Pure Offices development in Oldbury, which was completed in 2011. In general, other office development has been in the form of minor office extensions or new builds to industrial/warehouse premises and **there is no further information to indicate further additional demand.**
- 4.5 Since 2019 11,221 sqm of new office space has been granted planning permission both market driven. Of this total two office developments the new

West Midlands Ambulance Service offices (7,725sqm) and the Doocey Group Headquarter Offices (1,662sqm) accounts for 84% of the total floorspace. The Doocey Group headquarter offices have yet to be built out.

- 4.6 In addition to the applications for new proposed office floorspace there have been a number of planning applications for change of use to offices, resulting in 1,526 sqm of office floorspace. This floorspace is not new build office space, as these applications are for premises that were originally offices that changed use to a none-office use and have now reverted to an office use.
- 4.7 Over the last ten years 44 office premises have been converted to residential and other uses due to the lack of demand, which has resulted in the loss of 41,143 sqm of office floorspace across the borough. The majority of this lost office space has been in West Bromwich town centre, where several large office buildings have seen a change of use to residential and other uses. The most significant loss of office space in West Bromwich town centre has been at Providence Place, Sandwell Street. Where an 8,930 sqm office building was converted in 2023 to a school after only operating as offices for ten years.
- 4.8 In addition to this there are currently 20 planning applications for the conversion of offices to residential which have not yet been implemented and could result in the further loss of 14,272 sqm of office floorspace across the Borough, if the permissions are implemented. The majority of this loss of office space is in West Bromwich town centre, where there are proposals to convert three large office buildings totalling 12,028sqm into residential (Kingston House, 5 Lombard Street and the former West Bromwich Building Society Headquarters).
- 4.9 With the loss of these office buildings in the town centre, the only significant office presence in West Bromwich in the centre is the West Bromwich Building Society headquarters at Providence Place.

5. Office Market Demand within Sandwell

- 5.1 The Council's Regeneration & Growth Team have provided a commentary on the demand for offices within Sandwell. They estimate that only 5-10% of the property enquiries they receive are for offices.
- 5.2 Observations on the office market in Sandwell are that the share of the workforce in Sandwell using office space is moderately low in the private sector and the percentage of employees working in professional services (financial/legal/insurance) sectors in Sandwell is also fairly small compared to other locations in the West Midlands and around the UK.
- 5.3 One of the real challenges for offices tends to come from the requirement to be able to purchase a building. Ideally companies are looking for standing alone buildings with parking, which are rare in Sandwell.

- 5.4 The majority of offices in Sandwell tend to be ancillary to industrial/warehouse occupiers. This is backed up with the number of planning applications for the redevelopment or extension of ancillary office to industrial/warehouse premises.
- 5.5 Business, professional, finance and property services that tend to be the main occupiers of offices represent 14.6% of all employment and 24.3% of all businesses in Sandwell (compared with 26.3% and 37.7% respectively in England). Overall employment in this sector increased in Sandwell between 2019 and 2023. However, post-pandemic has seen changes in the labour market structures and working patterns, with less people working in offices, which has reduced the overall demand for traditional office models in the Borough as companies have consolidated office space and functions in them.
- 5.6 Moreover, post-pandemic has seen an increase in freelancing and self-employment. A rise in (local) self-employment would signal the need to offer more flexible workspaces locally. However, self-employment in Sandwell has dropped from 8.2% in September 2019 to 4.7% in September 2024 implying reduced demand for flexible office space to accommodate such a demand.

6. Summary

- 6.1 The Black Country Centres Study Addendum 2022 concluded that within the Black Country the office market in the main is concentrated in Wolverhampton City centre. Policies through Tier-Two plans, such as a “reservoir approach” when looking at site specific supply in centres and supporting offices as part of a wider mix of uses in centres can help facilitate further office growth and contribute to the strategic priorities for the Black Country. We maintain this is a reasonable continuing policy approach. The West Bromwich Masterplan identifies a number of sites for office development in the Town Centre.
- 6.2 Over the last ten years there have only been two significant office premises constructed in Sandwell – West Bromwich Building Society headquarters in West Bromwich town centre and West Midlands Ambulance Service offices, Shidas Lane, Oldbury. Both developments have been market driven and not speculative developments. The remainder of offices built have been ancillary to industrial and warehouse uses.
- 6.3 Over the past ten years 44 office buildings totaling 41,143 sqm of floorspace have been lost in Sandwell to other uses, primarily residential. Several large office buildings, especially in West Bromwich town centre, have been converted to residential use. In addition to this there are currently 20 office buildings totaling over 14,000 sqm of floorspace, which have a current planning permission for a change of use to residential. These figures demonstrate how much the office market in Sandwell has contracted in the last ten years.
- 6.4 Given that office enquiries only make up 5-10% of the property enquiries received by the Regeneration & Growth Team, it demonstrates that the office market in Sandwell is very small and is likely to remain so over the coming years.

6.5 To summarize, the office market in Sandwell is on a downward trajectory, especially with regard to traditional and large leasehold office premises. This is backed up by evidence that shows that a significant number of offices premises no longer operate as offices and have changed use to other uses such as residential over the last ten years.

Appendix

Table 1: Employment Count and % share by sector: Sandwell

Sandwell	2019		2020		2021		2022		2023	
Sector	Employment Count	Industry %	Employment Count	Industry %	Employment Count	Industry %	Employment Count	Industry %	Employment Count	Industry %
1: Agriculture, forestry & fishing (A)	75	0.1	50	0.0	75	0.1	75	0.1	75	0.1
2: Mining, quarrying & utilities (B,D and E)	2,250	1.8	2,250	1.8	2,500	2.0	1,750	1.4	2,000	1.6
3: Manufacturing (C)	22,000	17.5	20,000	16.3	20,000	15.9	23,000	17.8	20,000	15.5
4: Construction (F)	7,000	5.6	7,000	5.7	7,000	5.6	6,000	4.7	7,000	5.4
5: Motor trades (Part G)	4,000	3.2	3,500	2.8	3,500	2.8	3,500	2.7	4,000	3.1
6: Wholesale (Part G)	9,000	7.1	9,000	7.3	9,000	7.1	9,000	7.0	9,000	7.0
7: Retail (Part G)	11,000	8.7	12,000	9.8	13,000	10.3	11,000	8.5	11,000	8.5
8: Transport & storage (inc postal) (H)	10,000	7.9	10,000	8.1	10,000	7.9	12,000	9.3	12,000	9.3
9: Accommodation & food services (I)	7,000	5.6	6,000	4.9	6,000	4.8	5,000	3.9	6,000	4.7
10: Information & communication (J)	1,500	1.2	1,250	1.0	1,500	1.2	1,500	1.2	1,250	1.0
11: Financial & insurance (K)	1,500	1.2	1,250	1.0	1,250	1.0	1,250	1.0	1,250	1.0
12: Property (L)	2,500	2.0	2,250	1.8	2,500	2.0	3,500	2.7	2,500	1.9
13: Professional, scientific & technical (M)	5,000	4.0	5,000	4.1	5,000	4.0	5,000	3.9	6,000	4.7
14: Business administration & support services (N)	7,000	5.6	8,000	6.5	9,000	7.1	8,000	6.2	9,000	7.0
15: Public administration & defence (O)	2,500	2.0	2,500	2.0	3,500	2.8	3,500	2.7	3,500	2.7
16: Education (P)	10,000	7.9	10,000	8.1	10,000	7.9	10,000	7.8	11,000	8.5
17: Health (Q)	18,000	14.3	18,000	14.6	16,000	12.7	18,000	14.0	18,000	14.0
18: Arts, entertainment, recreation & other services (R,S,T and U)	6,000	4.8	6,000	4.9	6,000	4.8	7,000	5.4	6,000	4.7
Total	126,325	100	124,050	100	125,825	100	129,075	100	129,575	100

Source: WECD from BRES (ONS from Nomis) Published 2024. Note: Highlighted in green (highest sector/industry share), blue (second highest), red (third highest sector share)

Table 2: Summary Sector Data: Sandwell 2023

Sandwell	GVA 2023 (£bn)			Jobs 2023			Businesses 2023		
Sector	Sandwell	%	England % of Total	Sandwell	%	England % of Total	Sandwell	%	England % of Total
Advanced Manufacturing	£1.40	19.9%	11.1%	20,820	16.2%	9.7%	1,100	11.1%	11.5%
Building Technologies	£0.52	7.6%	6.2%	7,000	5.4%	4.7%	1,230	12.4%	14.0%
Business Services	£1.50	21.4%	42.8%	18,820	14.6%	26.3%	2,415	24.3%	37.7%
Environmental Technologies	£0.20	3.0%	2.0%	1,910	1.5%	1.0%	65	0.7%	0.5%
Health & Wellbeing	£0.77	11.3%	8.6%	21,000	16.3%	15.7%	550	5.5%	5.8%
Public Sector (inc. Edu.)	£0.73	10.8%	11.5%	17,500	13.6%	15.3%	265	2.7%	4.1%
Retail	£1.00	15.0%	10.5%	23,500	18.3%	13.7%	2,305	23.2%	14.6%
Transport Technologies	£0.61	9.0%	3.6%	12,505	9.7%	5.1%	1,295	13.0%	4.4%
Visitor Economy	£0.13	2.0%	3.7%	5,575	4.3%	8.5%	720	7.2%	7.4%
Total	£6.9	100.0%	100%	128,630	100%	100%	9,945	100%	100%

Source: (GVA - ONS, Regional economic activity by gross domestic product, released 2024; Jobs -

ONS, Business Register and Employment Survey, released 2024; Businesses - ONS, UK Business Counts, released 2024). Highlighted in red are sectors in Sandwell that have a higher than national proportion in GVA, Jobs and Enterprises/Businesses