

The Chambers Retail Expedition to Birmingham, Summer 2010

At £350 per square foot, prime retail rents in Birmingham are amongst the highest in the UK. But yields are softening as investors in retail property walk away from deals they would jump at in other centres. Britain's second city is not pulling its weight in the retail hierarchy. A team of The Chambers members – led by our retail property expert Ian Webster - went to find out why.

Back in the 1960s Brummies used to boast about Birmingham's new, very modern concrete shopping plaza – the Bull Ring that dominated the historic city centre. But by the '70s it was already looking tired, and in the late '90s it died peacefully in its sleep. The short walk from the Bull Ring to the canal side at Brindleyplace took you to a new city and a different century too. It was said that Birmingham had more canals than Venice, but it also had more concrete than Red Square.

Since then, massive investment has updated Birmingham city centre retailing, although the drive in from Spaghetti Junction is still reminiscent of the Soviet bloc. Pride of place goes to the new Bullring centre, which opened in 2003. In bright sunshine the vista – including Selfridges' bubble wrap and St Martin's church – is decidedly impressive; much more so than the inside which is just like any other large shopping centre. Selfridges looks scuffed and dirty; even with its futuristic architecture (dubbed locally the Digbeth Dalek) it still struggles to impress.

The Bullring centre has distorted shopping patterns across the city. The historic prime pitch of New Street and High Street is hanging on in there in terms of footfall but the other shopping centres are suffering. The Pavilions and the Pallasades (the latter a reminder of '60s concrete brutalism at its worst) have thinner traffic and lots of voids. If you are a retailer wanting representation in Birmingham, there's only one place to be – the Bullring. No wonder investors are running scared of other locations.

For evidence that developers and retailers do not always use the sense they were born with, it is here in Birmingham and it is called the Mailbox. Isolated from the city centre and abandoned by shoppers, its high end retail line-up is slowly stagnating. Throwing good money after bad, the developers have just spent £100 million on an extension, designed by the same architect as the London Gherkin, with two more floors of retail space. No amount of architectural gee-whizz will compensate for the fact that there is already too much retail space around here, where customers are thin on the ground. Predictably, the development is now in receivership and the receivers are forlornly building it out for an early sale. Good luck!

But there is a raw vitality about Birmingham's urban heartbeat that other cities could envy. From upscale department stores like Harvey Nicks, to the burgeoning independents around the up and coming regeneration project at the Custard Factory, there are shops to appeal to all tastes. The danger is over-provision.

There is a faint whiff of Dubai about some of the bolder architectural statements like Selfridges and the Mailbox extension, and it goes deeper than just appearances. Dubai is possibly the most over-shopped city on the planet, especially at the luxury level. There are times when, having passed Birmingham's *four* All Saints outlets in as many minutes, you get a feeling that our second city is going much the same way. And vacancy rates are higher than average – another warning light on the dashboard.

Fortunately Birmingham is a genuinely vibrant, modern and diverse urban centre with a lot more going for it besides retail, so it is not built on Dubai's shifting sand. But perhaps retail developers need to pretend the sand is there, draw a line in it, and let the customers catch up. As yields harden again, so opportunities will emerge. But let's give it a few years.

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