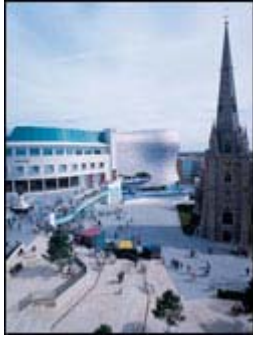


ULI DEVELOPMENT CASE STUDIES



Bullring Center

Birmingham, United Kingdom

Project Type: **Lifestyle/Entertainment/Specialty Center**

Volume **38** Number **17**

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Case Number: **C038017**

PROJECT TYPE

Replacing an outdated enclosed mall, Bullring Center's three shopping corridors and two buildings were designed to restore the historic links among the public squares, markets, and iconic St. Martin's Church in downtown Birmingham, England. Anchored by two department stores, the project comprises over 92,102 square meters (991,000 square feet) of retail space in both enclosed and open-air configurations.

LOCATION

Central Business District

SITE SIZE

26 acres/10.5 hectares

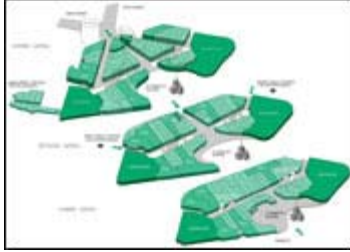
LAND USES

Main Street Retail, Enclosed Mall, Restaurants

KEYWORDS/SPECIAL FEATURES

- Public/Private Partnership
- Infill Development
- Greyfield
- Main Street Design

WEB SITE



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DEVELOPERS

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GENERAL DESCRIPTION

Designed as a series of pedestrian streets, squares, and open spaces that connect with Birmingham's city center, Bullring Center comprises three axes, two of which form a natural extension of the city's two principal shopping streets to the north. The third axis is St. Martin's Walk, a new pedestrian boulevard. St. Martin's Walk cuts between the two retail buildings that make up Bullring Center, restoring historic links to St. Martin's Church and the city's three markets to the south. Bullring, which opened in September 2003, has almost 93,000 square meters (1 million square feet) of net internal area (NIA) and 110,000 square meters (1.2 million square feet) of gross leasable area (GLA) in both open-air and enclosed mall configurations. Including the public squares, markets, and church, the total site occupies 10.5 hectares (26 acres). It has transformed not just the previous shopping center on the site, but also the entire city.

Bullring was developed by the Birmingham Alliance, which comprises three parties: Hammerson PLC, Land Securities Group PLC, and Henderson Global Investors Ltd. Hammerson, one of the largest property companies in the United Kingdom and the development manager for Bullring, acquired the Bullring estate from the Swedish pension fund SPP and the London and Edinburgh Trust in 1996. The estate consisted of the principal leasehold interest from Birmingham's city council together with other interests acquired by SSP and the trust to facilitate redevelopment—namely, the site of the indoor markets and an option with Railtrack over the old Moor Street train station on the east side of the site. Hammerson later exercised this option.

THE SITE

As mentioned previously, the site occupies 10.5 hectares (26 acres) in the center of Birmingham. Abutting the site on the north are the two existing shopping streets and a landmark building, the Rotunda, considered an outstanding example of the architecture of 1963. The Rotunda, which reopened in May 2008, was remodeled into 250 apartments by a joint venture between the Birmingham Alliance and Urban Splash, a residential specialist.

Toward the south side of the site are the aforementioned St. Martin's Church and the three markets. The Moor Street train station is a two-minute walk to the east, as is an area that was formerly industrial but has since been flattened and will eventually be used for technology and learning. The other train station, New Street Station, is a two-minute walk to the west.

BACKGROUND AND DEVELOPMENT PROCESS

In May 1964, a big-box type of shopping center opened on the site where Bullring now sits, extending from the city center across the inner ring road in one monolithic block. Access to the indoor and outdoor markets and shopping center was through subterranean passageways. It was heralded as one of the most modern shopping centers outside the United States at the time. But by the late 1980s, it was tired looking and had become an unwelcoming, uninviting place to shop. Crime escalated in the area around the shopping center, and customers deserted the area as urban decay increased. The notorious ring road, which cut off the old Bullring from the rest of the city, was nicknamed "the concrete collar."

The goals of the Birmingham Alliance were as follows: to create a light-filled, inviting, and safe environment for shoppers; to banish the dour concrete and dark subways where gangs had congregated; and to welcome Bullring back into the city center.

The 250-year lease of the Bullring Estate was executed in September 1999. The alliance has relied on this legal title in building and leasing Bullring, the only exception being an airspace lease granted from Network Rail on part of the scheme over the New Street Train Station rail tunnels. The old Bullring was finally demolished between June 2000 and March 2001; construction started in September 2000.

From 1996 to 1999, Hammerson negotiated with the Birmingham city council to acquire a new, long leasehold interest in the Bullring area. The council included as a development obligation the continued operation of the existing markets (two indoor and one outdoor) and their accommodation in new premises south of St. Martin's Church. The market buildings are the site of weekly agricultural, clothing, and other markets where vendors come from the surrounding countryside to sell their wares, a custom since 1166 when Birmingham was given a royal charter allowing for its own market. This stipulation was the result of hard-fought negotiations by the market traders with both the city council and the developers. The Birmingham Alliance agreed to contribute £6 million toward the city council's rebuilding of the two indoor markets and to manage the markets for three years after the new premises opened in late 2000, after which they reverted to ownership by the city council.

The next phase of the plan was the redevelopment of Bullring itself; progress was slow. Two developers—Land Securities, the largest property company in the United Kingdom, and Henderson, a fund manager—were promoting competing developments of similar scale and concept in the Martineau Galleries, slightly east of Bullring. Both groups had applied for planning permission, placing the city council in a difficult position. The city council commissioned a retail survey to assess retail accommodations in the city center. The report proved that Birmingham was "understored." The city had no grounds to refuse either application and granted approval to both, sending mixed signals to the developers and the retailers. The latter group saw it as an opportunity to play the developers against each other. The result was that lease rates per square foot came down, profit margins eroded, and there was little reason to proceed.

In February 1999, the Birmingham Alliance was born. Faced with the possibility of losing both developers and a strong political drive to get the developers to work together, the head of economic development and chief executive of the city council negotiated with all the parties to facilitate the formation of what would become the alliance.

The goal of the Birmingham Alliance was to transform a grim city center into one of Europe's most vibrant high-quality retail spaces as well as to create a meeting point and a new civic heart for the city. Birmingham is the United Kingdom's second-largest municipality in terms of population, yet until the revitalization of Bullring, it was 13th in the U.K.'s retail hierarchy (it is now third). The alliance wanted to change the face of retailing in the West

Midlands by delivering Europe's largest city center retail regeneration project and thereby attracting the 7.2 million consumers within an hour's drive of the city.

The city of Birmingham has benefited directly from Bullring. In addition to reconnecting Bullring to the city's two main shopping streets, the Birmingham Alliance refurbished the Moor Street railway station, one of two next to the project. In addition to the two new market buildings erected with contributions from the alliance, St. Martin's Church was refurbished with £1.9 million in matching funds from the alliance. The Birmingham Alliance also invested £2 million in commissioned public art for the public spaces at Bullring, including a bronze bull that greets visitors at the main gateway.

Overall, political support for the development from Birmingham's city council meant that the entire process was relatively free of contention. Despite the number of interests directly affected by the development, very few objections were raised.

FINANCING

Financing was split equally among the three entities that make up the Birmingham Alliance in terms of amount of money invested, risk, and profits. The joint venture was based on a limited partnership. Hammerson and Land Securities, as property developers, raised their debt from banks on a corporate basis as opposed to borrowing money against a specific project, giving the companies freedom of choice on where to allocate the money. It also put fewer constraints on individual projects. Henderson Global Investors is a fund and received its share of the financing from Australian and U.K. pension funds.

At the time the major building contracts were placed, greater than 15 percent internal rate of return and profit on the cost of £500 million were expected, to be split three ways. As actual costs came in just under £500 million, the internal rate of return and profit targets were achieved.

PLANNING, DESIGN, AND CONSTRUCTION

"A key element of Bullring's design is its permeability and the way in which new open spaces and walkways throughout the three principal trading levels have been designed to link into the city center—and form an extension of Birmingham's existing prime retail pitch. The natural gradient of the site—falling some 19.5 meters [64 feet] from north to south—has been integrated into Bullring's design so that each trading level has access to a ground-floor entrance," says Jon Emery, Hammerson's U.K. development director.

One of the biggest challenges to integrating the center back into the city of Birmingham was that the aforementioned concrete collar had to be broken. This challenge was overcome, however, by a daring engineering solution: bridging right across the road and railway tunnels below, with four dramatic bowstring trusses from which new buildings are suspended. This design allows for the seamless connection between the city's two main shopping streets and St. Martin's Walk in Bullring. By cutting open what had for decades been dirty, unattractive, and unsafe, the new connecting thoroughfares—pedestrian streets in the mall, St. Martin's Walk, the church and market areas—mirror historic street plans and restore dramatic city views, particularly of St. Martin's Church.

Additional challenges were posed by the two historic buildings—the Rotunda and the church—the sloping site, the two train stations, and road improvements. The result is that the shopping center was constructed on three different levels. In addition, the Birmingham Alliance cut a new tunnel underneath for buses and taxis, which also connects the two train stations, and built a new road for cars that goes around the site.

The mall itself consists of two buildings—one on either side of St. Martin's Walk—each stepping down the slope of the site. Each is rendered differently, so it feels like a collection of buildings or city blocks rather than a mall. The architecture is contemporary and uses natural materials such as stones. The site is crisscrossed by pedestrian streets, some of which are covered by the "floating" 7,000-square-meter (75,000-square-foot) glass roof (called the "SkyPlane"), which brings a sense of space and connection to the outdoors. The streets covered by the glass

roof are actually in the mall buildings. The glass roof admits maximal daylight and offers a view of Birmingham's skyline.

Bullring Center contains three public spaces: the northern square, where the old city meets the new and seven streets converge, which was designed as a meeting place; St. Martin's Walk, the open central promenade; and a space to the south near the church reached by a sloping street to the lower level, where civic and cultural events take place. The squares and pedestrian streets are open 24 hours a day, the mall area between the train stations 18 hours each day.

The three parking locations—one under the center, one above the indoor market, and one stand-alone parking garage—contain 111,500 square meters (1.2 million square feet), with spaces for over 3,000 cars.

Construction lasted 39 months, including a mitigated 12-week delay arising from a broken water main that ran above the railway tunnels. Nevertheless, the development opened to the public three weeks earlier than planned.

The mall contains a total of 127 retailers and 19 restaurants and cafés on three levels, 57 of them new to Birmingham. Because of the aforementioned slope, each level—but not necessarily each tenant—has direct access from the outside. Most shops are 7.5 meters (25 feet) wide; some were made 6.5 meters (21 feet) wide to get the right tenant mix. Rents are achieving greater than £322.91 per square meter (£30 per square foot).

The mall's two anchors, Selfridges and Debenhams department stores, have entrances on all three levels. Selfridges, comprising 23,000 square meters (250,000 square feet), is two-thirds the size of the entire old Bullring and has a fourth floor. Designed in organic curves and clad in 15,000 aluminum discs, Selfridges was inspired by a Paco Rabanne chain mail dress. It has become an international landmark, famous for its design. Debenhams contains 19,300 square meters (207,000 square feet). Both stores are new to Birmingham.

The plan was to use each level of retail space in a specific manner. The lowest level—representing 40 percent of the total space—has deep units and was designed for volume fashion, big-box retailers, and a food court. The middle level toward the Selfridges end houses mainstream women's fashion and toward the Debenhams end features lifestyle retailing such as health care, a travel agency, and a mobile phone store. The top level comprises narrower units and accommodates high-fashion retailers. On each level, destination shops are placed at dead ends to draw customers to those spaces.

The Birmingham Alliance employed a design consultant to help retailers get the most out of their location; each shopfront is designed to help individual brands stand out. Included in the tenant mix are international brands Gap, Tie Rack, The Body Shop, Molton Brown, FCUK, H&M, Kookai, Lacoste, Mango, Zara, Timberland, Starbucks, and HMV as well as many brands known in the United Kingdom such as Next, Monsoon, and Boots.

MARKETING, MANAGEMENT, TENANTS, AND PERFORMANCE

The marketing and public relations program for Bullring has been successful, with television and radio coverage and numerous column inches in trade magazines and industry literature. More than 1,400 press articles were written about the launch, and it was covered by 21 radio and television networks. On opening day, 276,600 people attended, and during the first month, 4.8 million people visited Bullring.

The alliance decided to keep the name Bullring but change the public's perception of it. They showed images of what the development was going to be, and put 2,000 workers on the site every day during construction to get the job done. All the way through, the strategy was to provide information (what was going on, what went right, what went wrong).

The strategy was to sell the vision of the scheme using the strength of the Birmingham Alliance and the strength of the three partners to convince everyone that this venture would be a success. Both business-to-business and business-to-consumer pathways were used. The Birmingham Alliance was developed as a brand. Once the actual

construction started, the developers backed off this approach, as consumers were not interested in who was building it but what it was going to be. Bullring was then developed as the brand.

A four-issue professionally produced publication, *Bullring Magazine*, focused on many aspects of the project. A typical issue included the latest news, tenant signings, and on-site achievements; descriptions of the alliance's building partnerships with the city council and civic organizations to promote the wider regeneration of Birmingham; and articles on advertising and the opportunities for advertisers to showcase their brands, investing, jobs, prospective tenants, the public spaces, architecture, and more. In addition, a Web site was developed, and during 2002 and 2003 tours were given to those involved in the project. The public was invited on "open days" (the last two weeks before opening) to tour the project. The alliance treated opening day as a celebration of the rebirth of the city center and organized a carnival that took place throughout the entire city.

Some were concerned that after Bullring's opening, the rest of the city would become a ghost town. But of the approximately 140 shops in Bullring soon after opening, only 19 had relocated from elsewhere in the city, and their vacated spaces were almost all filled by other shops. Because of the redevelopment of Bullring, the city's retail space has grown by 40 percent. Of the 8,000 new jobs created, 70 percent went to people who were unemployed. The alliance helped people with their interview techniques and résumés.

Visitors to Bullring Center can access information about retailers, local events, news, travel, and the shopping environment using freestanding electronic touch screens and overhead plasma screens. Retailers and the center's management are technologically linked to each other.

Most tenants have 15-year leases; the two anchors have 50-year leases. At the opening, 97 percent of the space was leased. One year after the opening, Bullring was fully leased.

EXPERIENCE GAINED

The cost of staffing and servicing this type of project, managed remotely, should not be underestimated. Strict budget controls are necessary, and the controls for Bullring could have been stronger. As the development proceeds, the level of detail increases; it is better for a more local planning consultant with an existing relationship with the local authority to be involved and to adopt a more detailed and collaborative approach. The Birmingham Alliance found that a London-based team was not suited to discharging planning details in a remote location. Running a project of this size from a local office is essential although overhead is greater; budget control should be given to a proper office manager. A local office has its own culture, so the team must be made aware of the developer's procedures and made to feel part of the developer's organization.

Investing time in building relationships with local authorities is key to the success of a project. Where a local authority is obliged to deliver part of the development site, political commitment at the highest level and close attention from the developer are essential to ensure possession of vacant properties. The four-week delay in acquiring the open market could have led to delays in the rest of the project.

Providing art on site, while requiring much time and cost, brings considerable benefits in dealings with the local authority and in delivering a memorable finished development. By their nature, however, sculptors, artists, and art procurement consultants are demanding to manage and do not operate like other professional consultants on the team.

The overall development management cost for Bullring was on track to end up at £7.3 million, three times the original budget. Several functions were not included in the estimate; others were underestimated.

Throughout the project, many of the 100 or so individual cost centers varied significantly from the original forecast. With careful control and continuous review throughout the development program, however, a fine balancing act was maintained, with overall costs coming in under budget. The monthly cash flow request from the joint venture also proved quite difficult to budget, particularly at the peak of construction expenditures. This

problem was normally the result of overestimation, with large balances remaining in short-term accounts, as opposed to underestimation.

One area of concern initially was the lack of space given to restaurants and other eating establishments. Indeed, many dining venues in the rest of the city reported excellent business during the first six months Bullring Center was open. The shortage has subsequently been addressed, with seven more facilities opening in the first year Bullring was open; however, the shortage did affect customer satisfaction ratings in the first six months.

It proved difficult to entice food and beverage tenants into Bullring during the marketing phase, but once the project was open, the vision had been realized, and customers started coming to the mall, catering and restaurant operators suddenly became very interested and, in fact, competitive. The marketing and sales approach for caterers and restaurateurs (as opposed to retailers) needed to be changed, or maybe planners need to accept that they are more inclined to invest when they see evidence of delivery. Perhaps forecasts when those deals will be achieved should be a changed.

Although the public space around St. Martin's Square is attractive and successful in terms of events, it would benefit from more active uses—such as food or retail establishments—around its edge. Although this solution is difficult because of the topography and layout, it might have been better to assign outward-oriented restaurants rather than mall-oriented retail shops in certain areas.

While the overall tenant mix is regarded as appropriate, the natural change through certain retailers' closing has facilitated the ability to bolster the mix of stores based on sales data and feedback from customers. The overall mix of shops is considered complementary to that in the city and in line with a major regional destination.

PROJECT DATA			
LAND USE AND BUILDING INFORMATION			
Site area (hectares/acres): 10.5/26			
Gross external area (square meters/square feet): 200,000/2,152,000			
Gross internal area ¹ (square meters/square feet): 120,000/1,291,200			
Net internal area ² (square meters/square feet): 92,102/991,000			
Total parking spaces: 3,000			
RETAIL TENANT INFORMATION			
Tenant Type	Number of Stores	Total Net Internal Area (Square Meters/Square Feet)	Percentage of NIA
Department stores	2	42,489/457,200	46
Fashion	50	20,180/217,200	22
Sports	4	4,424/47,600	5
Books and music	3	4,049/43,600	4
Electrical/communications	8	4,043/43,500	4
Food and beverage	18	3,254/35,000	4
Shoes	10	3,937/42,400	4
Health and beauty	11	2,816/30,300	3
Toys/games	10	2,425/26,100	3
Gifts/cards	7	1,867/20,100	2
Jewelry	7	1,290/13,900	1
Financial services	7	1,328/14,300	1
Total ⁴	137	92,102/991,000	100
Major Tenants	Square Meters/Square Feet		
Debenhams	19,267/207,300		
Selfridges	23,222/250,000		

Next	4,570/49,200
Borders	2,462/26,500
H&M	3,077/33,100

Average length of lease: 12 years
 Typical lease provisions: Rent comparisons with market value every five years; turnover rent; comprehensive service charge
 Annual rents (per square meter/square foot): £269–£538/£25–£50
 Average annual sales (per square meter/square foot): £3,875/£360

DEVELOPMENT COST INFORMATION³

Site Acquisition Cost: £81 million

On- and Off-Site Improvement Costs: £45,873,814
 Excavation/grading/sewer/water/drainage: £12,321,897
 Paving/curbs/sidewalks/landscaping/irrigation: £7,369,198
 Fees/general conditions: £7,394,179
 Other: £18,788,540

Construction Costs⁴: £203,626,186
 Superstructure: £86,753,774
 HVAC: £13,553,432
 Electrical: £14,655,035
 Plumbing/sprinklers: £4,369,015
 Elevators: £7,097,003
 Fees/general conditions: £21,609,323
 Other: £55,588,604

Soft Costs: £164 million
 Architecture/engineering: £25 million
 Project management: £7 million
 Marketing: £3.1 million
 Legal/accounting: £2 million
 Taxes/insurance: £2.5 million
 Construction interest and fees: £57 million
 Other: £67.4 million

Total Development Cost: £495 million

FINANCING INFORMATION

Financing Source	Amount
Hammerson	£165 million
Henderson Global Investors	£165 million
Land Securities	£165 million
Total	£495 million

DEVELOPMENT SCHEDULE

Site purchased: 1995
 Planning started: 1996
 Approvals obtained: 1998
 Construction started: 1999
 Leasing started: 1999
 Project opened: September 2003

Notes:

¹ Includes the whole enclosed area of a building within the external walls, taking each floor into account and excluding the thickness of the external walls.

² Includes the usable area within a building and excludes commons areas, toilets, utility rooms, and stairwells.

³ Numbers may not add up because of rounding.

⁴ Includes graphics/specialties, parking structure, and tenant improvements.

DRIVING DIRECTIONS

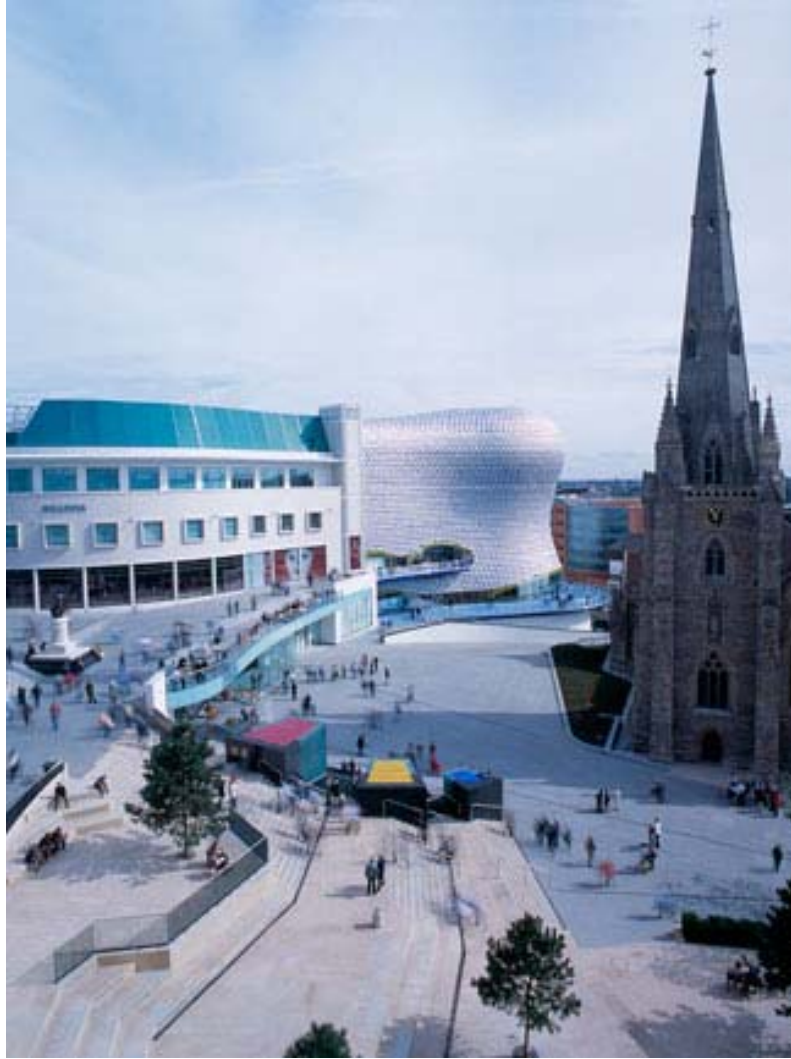
From Birmingham International Airport: Exit the airport going left on Coventry Road. Take the second exit on the roundabout heading north on M42. About a little less than 3.5 kilometers (two miles) later, merge onto M6. After 19 kilometers (12 miles), exit onto the Ashton Expressway. In another 19 kilometers (12 miles) the expressway becomes the A38; the A41 and A38 will share the same stretch of road. Continue heading south on the A41, then at the Holloway Circus Queensway take the second exit onto the Smallbrook Queensway, which then becomes the St. Martin's Circus Queensway. Bullring Center will be on the right and parking is available on the right about half a block past Edgbaston Street.

Driving time: About 25 minutes in nonpeak traffic.

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This Development Case Study is intended to serve as a resource for subscribers in improving the quality of future projects. Data contained herein were made available by the project's development team and constitute a report on, not an endorsement of, the project by ULI—the Urban Land Institute.

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Comprising both indoor and outdoor shopping facilities, Bullring Center was built over a high-traffic road and reconnects many of the historic features of downtown Birmingham, England, with each other.



With both outdoor pedestrian corridors and an enclosed shopping mall, Bullring includes 137 stores consisting of 110,000 square meters (1.2 million square feet) of gross leasable area.

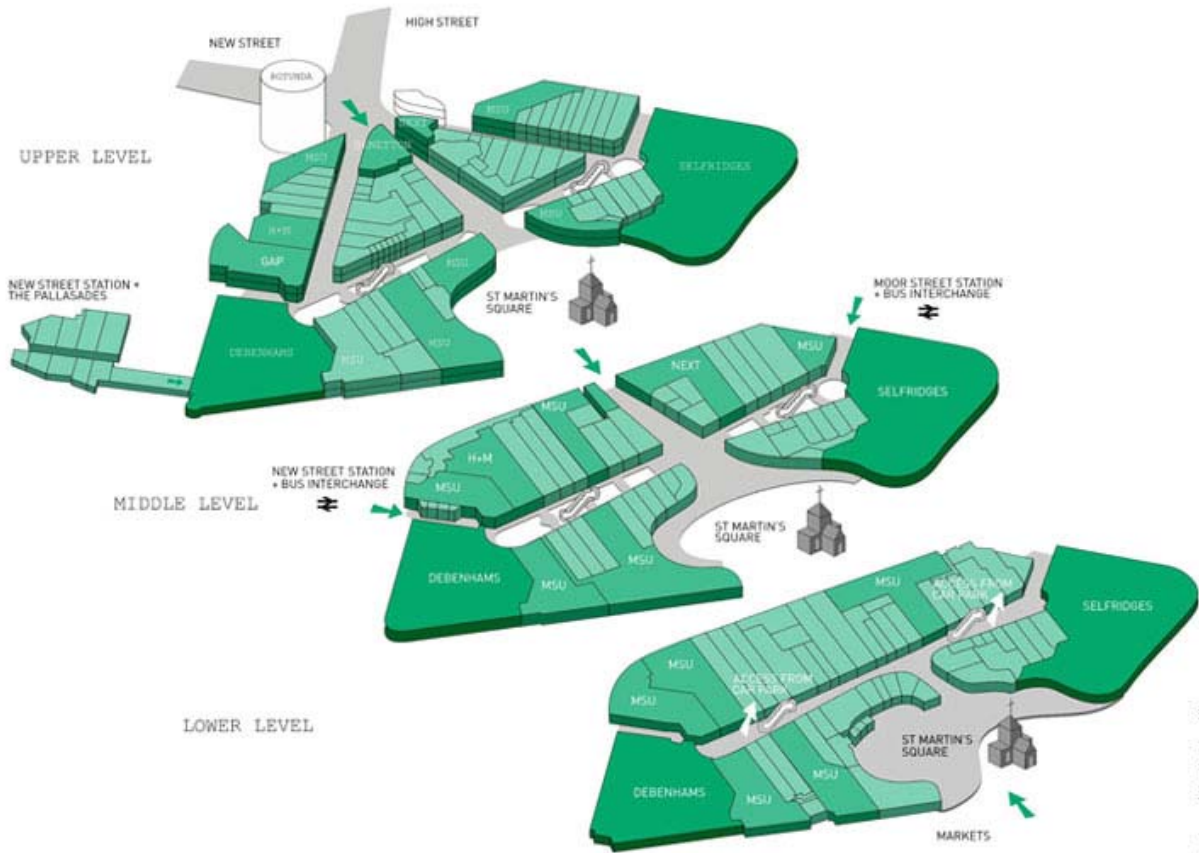


Bullring's pedestrian corridor links St. Martin's Church (Birmingham's oldest church, which dates back to the 12th century) to three markets and public squares.



Courtesy of the Bullring Alliance

Bullring aerial view during construction.



Courtesy of the Bullring Alliance

