



RESEARCH & FORECASTING UK CENTRAL BIRMINGHAM OFFICES

BIRMINGHAM

- ALL GRADE ABSORPTION ▼
- GRADE A ABSORPTION ▲
- AVAILABILITY ▼
- TAKE-UP ▲
- RENTS ➔

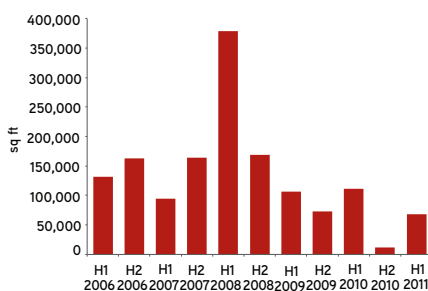
CITY CORE

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Overview

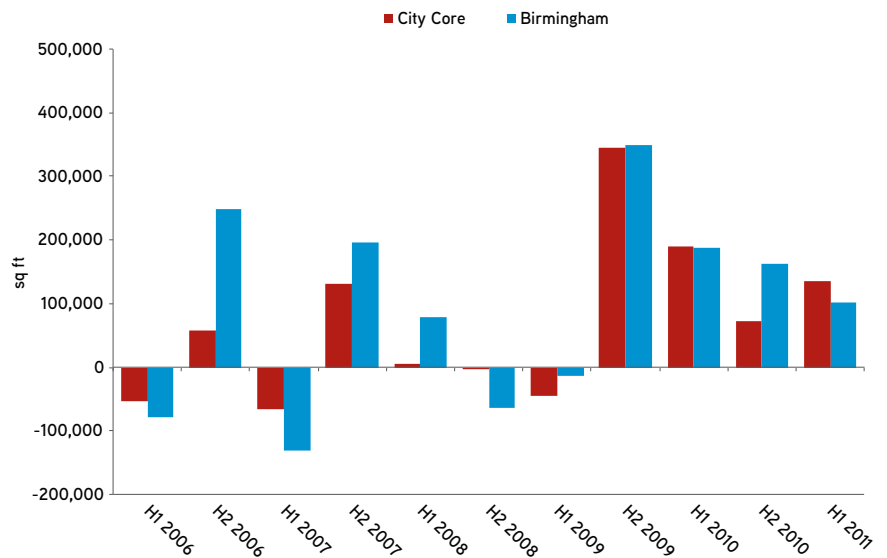
- 2011 has exhibited a modest but steady improvement in overall market conditions in the Birmingham office market. Demand remains sluggish across most UK regional office markets but the Birmingham CBD recorded its highest quarterly take-up for nine months. The Ministry of Justice took 38,000 sq ft at Axis on Holiday Street and Deutsche Bank confirmed its expansion plans by signing for 27,600 sq ft at Baskerville House.
- Grade A absorption experienced positive uplift of over 100,000 sq ft for the fourth half year period in succession. While Grade A take-up was down on the previous six months, City Core Grade A absorption doubled. This was partly due to the completion of the Cube, where the Highways Agency took occupation of 56,000 sq ft.
- Grade A absorption has shifted firmly toward the City Core (see Figure 1). With no significant completions in Birmingham during the next 12 months and just one speculative scheme currently under construction (Two Snowhill 302,500 sq ft), we forecast continued healthy positive absorption for good quality product, averaging over 250,000 sq ft per annum in the City Core over the next three years.
- City Core Grade A availability fell for the third half year period in succession with current vacancy at 23.1% down from a high of 32% in June 2009. Grade A vacancy is now at its lowest level for three years. Overall City Core availability rose slightly, driven up by the release of poor quality Grade C space onto the market.
- Prime rents remain at £27.50 psf, with expectations that this figure will remain flat for the remainder of 2011.

FIGURE 2: CITY CORE GRADE A TAKE-UP



Source: Colliers International

FIGURE 1: BIRMINGHAM GRADE A NET STOCK ABSORPTION

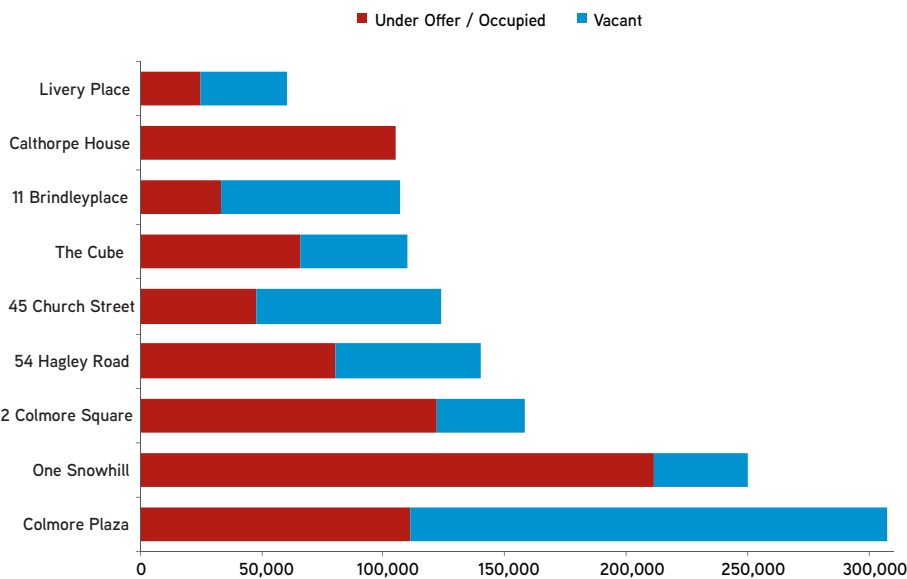


Source: Colliers International

Occupier markets

The increase in take-up, along with improving levels of absorption within the City Core, provides firm evidence of occupiers' desire to begin recruitment and expansion programmes once more. Short term requirements, such as KPMG and Deloitte, are set to be followed by HSBC and Lloyds, both of whom could be looking at 100,000 sq ft plus searches in order to consolidate their existing operations. Deutsche Bank is still thought to have a further 80,000 sq ft search active and PricewaterhouseCoopers has an expiry in 2014 which will necessitate a 100,000 sq ft plus search from mid-2012. We expect Grade A absorption and take-up to accelerate in Q3 with large Grade A requirements. RSM Tenon, Grant Thornton and Chartis have all committed to acquire core new build office space in the city.

FIGURE 6: BIRMINGHAM KEY COMPLETIONS 2008-2011



Source: Colliers International

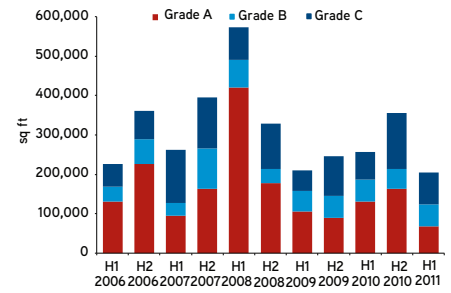
Figure 6 shows the current vacancy at all the major schemes delivered in Birmingham since 2008. Currently, close to 60% of that space is either occupied or under offer. This includes 60,000 sq ft at 2 Colmore Square which is under offer to the Law Society.

FIGURE 7: BIRMINGHAM OFFICES – KEY SUBMARKETS

Submarket	Availability (sq ft)	Grade A NSA (sq ft)	Take-up (sq ft)	Take-up (sq ft)
	H1 2011	H1 2011	H2 2010	H1 2011
City Core	2,054,310	135,958	152,737	151,216
Edgbaston	484,196	-2,048	154,555	59,527
Eastside	227,468	-32,489	21,244	7,490
City Total	2,821,754	135,958	218,223	355,084

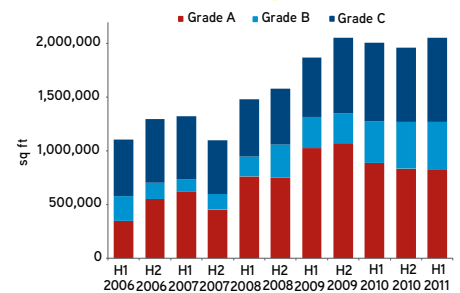
Source: Colliers International

FIGURE 3: BIRMINGHAM TAKE-UP BY GRADE



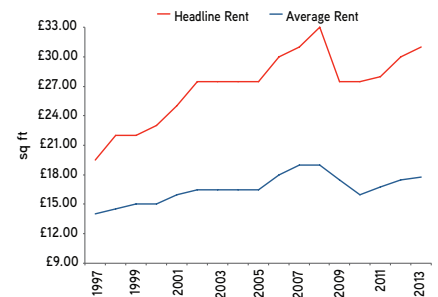
Source: Colliers International

FIGURE 4: CITY CORE AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: BIRMINGHAM RENTS AND FORECASTS



Source: Colliers International

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