Take-up

- Take-up this quarter in central Birmingham totalled 158,935 sq ft, comprising 28 deals. Leasing activity for the first three quarters of 2018 is 477,347 in 81 deals. Total demand to date is only 3% below the 10-year average (489,741 sq ft). Q3 saw increased activity amongst occupiers which, after a quiet summer, is encouraging for the end to the year in the Birmingham office leasing market.

- Leasing activity, in the first three quarters of this year, is buoyed by a steady number of deals in the smaller size bands, 0-5K (73%). This is an increase on the same period last year, which saw 63% of all deals in the smaller size bands. This is a positive sign that occupier demand remains strong in Birmingham city centre.

- The largest deal this quarter saw the Secretary of State take a little over 36,000 sq ft at Norfolk House. WSP obtaining c. 46,000 sq ft at the Mailbox is the largest transaction so far this year.

- Although Birmingham was not awarded the Channel 4 national headquarters, there remains a positivity around the TMT industries in the city with the announcement that Birmingham has been selected to trial the new 5G mobile technology in 2019. This together with the progression of HS2 will continue to be a draw for both occupiers and investors. In Q3 2018, we saw both Jacobs Engineering and Network Rail take more space ahead of HS2.

- With its landmark exemplar schemes such as Paradise, Arena Central, Snowhill and 103 Colmore Row, an increasing number of national and international businesses are pledging themselves to Birmingham due to its ability to meet the evolving needs of occupiers.
FIGURE 1: CENTRAL BIRMINGHAM QUARTERLY TAKE-UP

Source: Colliers International

FIGURE 2: CENTRAL BIRMINGHAM DEMAND Q3 2018
By Type

Source: Colliers International

FIGURE 3: BIRMINGHAM CITY CORE AVAILABILITY

Source: Colliers International
Supply

- Grade A supply in the city centre stands at 336,063 sq ft, this is 15% lower than H1 figures.
- There is currently a total of 1,560,000 sq ft under construction with 57% expected to complete in 2019. Amongst the buildings currently under construction and expected to complete this year is 1 Centenary Square (210,000 sq ft), which is pre-let in its entirety to HSBC.

Rents

- Prime rents in the city centre remain at £33.00 psf. We anticipate headline rents to continue upwards towards £35.00 psf over the next two years and forecast to reach £37.50 psf by 2021.

Investments

- 2018 started strongly with a total of £339 million in transactions, this is 16% above Q1-Q3 average of £291 million.
- The Railway Pensions Trustee’s purchase of 2 Colmore Square for £95 million at an initial yield of 6.4% was the only investment transaction in Q3.
- Prime office yields remain at 4.75%. We expect yields to remain unchanged for the remainder of the year as investors continue to look at regional cities away from London.
There is currently a total of 1,560,000 sq ft under construction, with 57% expected to complete in 2019.
OUT-OF-TOWN

Third quarter leasing activity in the out-of-town market was very strong, with 103,435 sq ft comprising 11 deals. Take-up for the first three quarters of this year is 20% higher than the same time last year and stands at 249,772 sq ft.

There is a marked increase in deals in 2018 for space above 10,000 sq ft. So far in the first three quarters of this year, there were 10 deals in this size band, which accounts for 168,212 sq ft in total take-up. Last year, during the first three quarters, there were only six deals in this size band. This is an indication of more corporate activity. The largest deal this quarter was at 31 Homer Road where Instant Group, a serviced office operator, took 21,217 sq ft.

The level of available space in the out-of-town market continues its downward trend. Vacant space is at c. 690,000 sq ft. Overall vacancy is now at 8.2%, which is at an all-time low.

Prime rents remained at £25.00 psf and secondary rents at £17.00 psf. We anticipate the lack of supply in the out-of-town market will continue to put upward pressure on rents.

Due to lack of supply, the offices in the out-of-town market are struggling to meet the demand. Demand is expected to increase due to occupier lease events, which find more occupiers looking to upgrade their current office space requirements. We have seen recent evidence of competitive bidding by occupiers for space.
**FIGURE 6: BIRMINGHAM OUT-OF-TOWN TAKE-UP**

Source: Colliers International

**FIGURE 7: BIRMINGHAM OUT-OF-TOWN AVAILABILITY & VACANCY RATE**

Source: Colliers International

**FIGURE 8: BIRMINGHAM OUT-OF-TOWN PRIME RENTS (PSF)**

Source: Colliers International
FOR MORE INFORMATION

OFFICE AGENCY
Douglas Bonham
+44 121 265 7616
douglas.bonham@colliers.com

Richard Williams
+44 121 265 7630
Richard.Williams@colliers.com

Tom Arnold
+44 121 265 7611
tom.arnold@colliers.com

RESEARCH & FORECASTING
Lisa Dean
+44 20 7487 1961
lisa.dean@colliers.com

NATIONAL CAPITAL MARKETS
Chris Bampton
+44 20 7344 6616
chris.bampton@colliers.com

Colliers International Group Inc. (NASDAQ:CIGI) (TSX:CIGI) is a top tier global real estate services and investment management company operating in 69 countries with a workforce of more than 12,000 professionals. Colliers is the fastest-growing publicly listed global real estate services and investment management company, with 2017 corporate revenues of 823 billion £2.7 billion including affiliated. With an enterprising culture and significant employee ownership and control, Colliers professionals provide full range of services to real estate occupiers, owners and investors worldwide; and through its investment management services platform, has more than £20 billion of assets under management from the world’s most respected institutional real estate investors.

Colliers professionals think differently, share great ideas and offer thoughtful and innovative advice to accelerate the success of its clients. Colliers has been ranked among the top 100 global outsourcing firms by the International Association of Outsourcing Professionals for 13 consecutive years, more than any other real estate services firm. Colliers is ranked the number one property manager in the world by Commercial Property Executive for two years in a row.

Colliers is led by an experienced leadership team with significant equity ownership and a proven record of delivering more than 20% annualized returns for shareholders, over more than 20 years.