

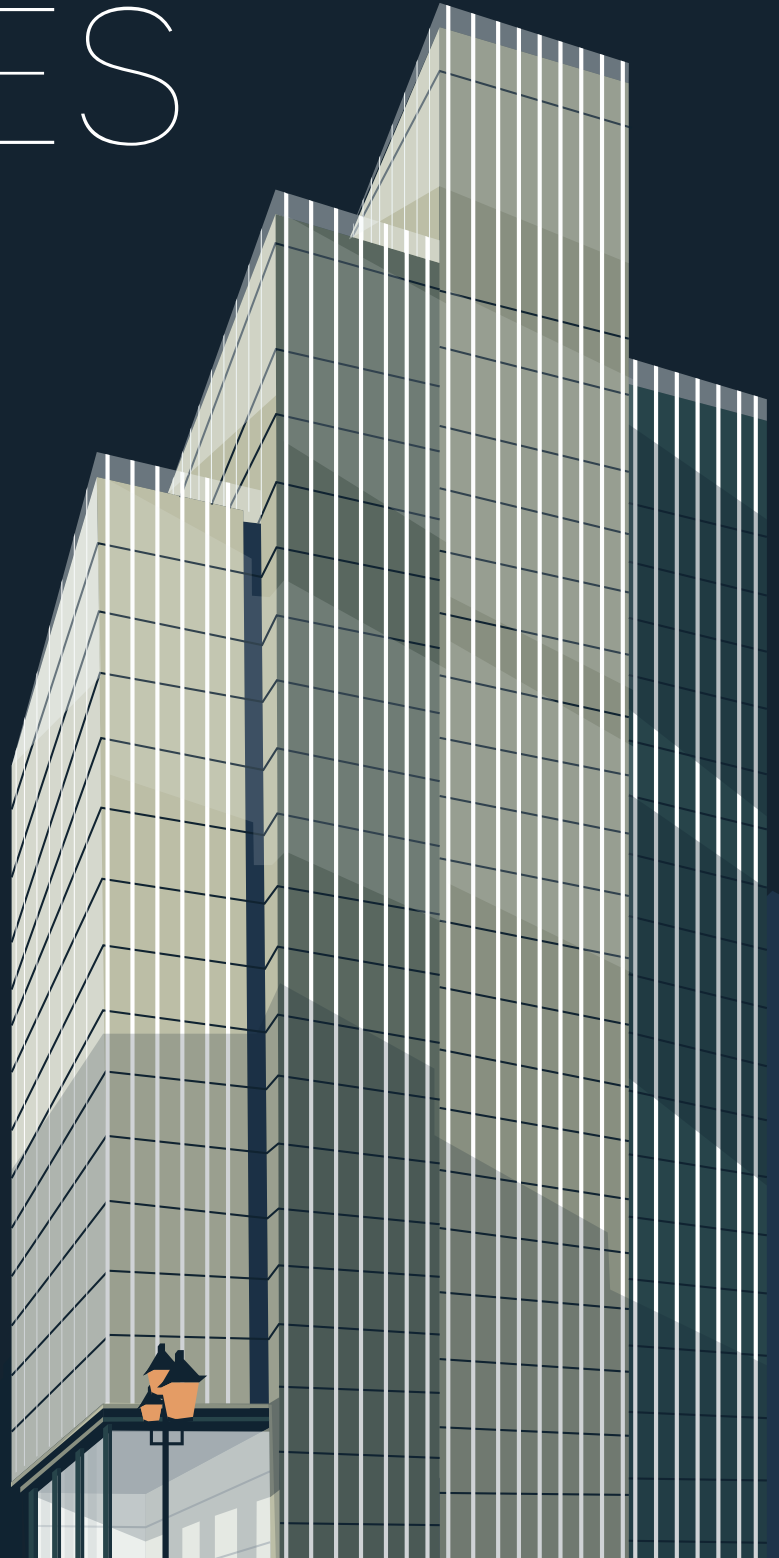


UNITED KINGDOM

BIRMINGHAM

OFFICES

QUARTER 4 | 2018

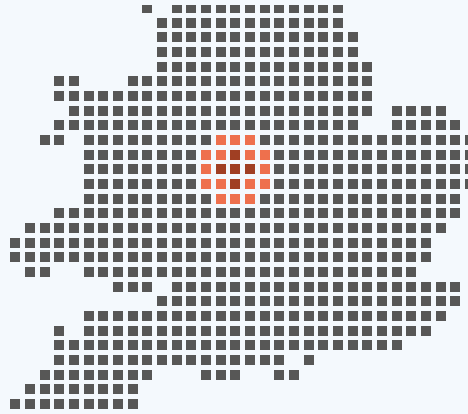


2018 TAKE-UP

753,329

SQ FT

KEY DEAL

118,240SQ FT TO BCU AT
BELMONT WORKS, EASTSIDE

SERVICED OFFICES

113,713

SQ FT

HEADLINE RENT

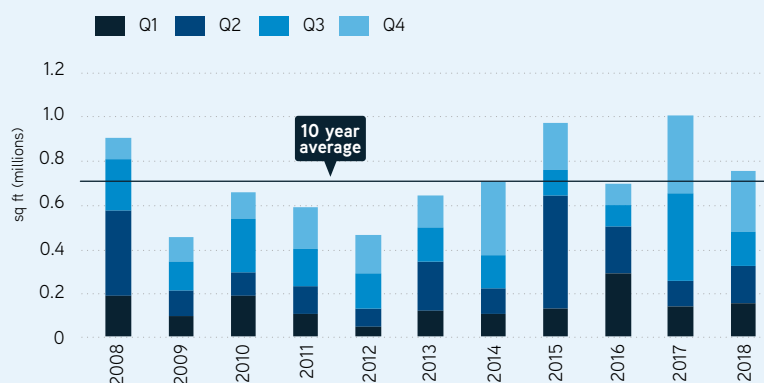
£33 PSF

CITY CENTRE

Take-up

- › Annual take-up in Birmingham city centre ended on a high in 2018, with a total of 753,329 sq ft transacted in 113 deals. 2018 total transaction levels exceeded the 10-year average take-up after a steady start to the year.
- › Demand in Q4 saw the highest quarterly take-up of the year, with 277,790 sq ft leased in 33 deals. Apart from the Belmont Works deal, the only other transaction above 20,000 sq ft in Q4 2018 was at the Colmore Building, where Zurich Insurance took 23,380 sq ft.
- › There were 22 deals in the larger size bands (10-50K+) during 2018, equating to c.521,000 sq ft. The largest pre-let deal in 2018 happened in Q4, with Birmingham City University pre-committing to 118,240 sq ft at Belmont Works, Eastside. Birmingham City University is spear-heading the regeneration, with developer Goodman, for the second phase of its STEAMhouse project. Work will begin, subject to planning consent, this summer and is due to complete in 2021.
- › Steady leasing in the smaller size bands (0-10K) in Q4 continued to buoy transactions in 2018. Deals in these size bands accounted for 81% of the total number of deals this year.
- › Whilst the Birmingham City University deal skewed the results for annual take-up by business sector, when this deal is removed from the analysis, serviced offices were the most active occupier type in 2018. There were seven deals comprising a total of 113,713 sq ft over the year. The largest deal occurred in Q2 with BE Group leasing just over 38,000 sq ft at Somerset House. There was only one serviced office transaction in Q4, which saw MSO acquire nearly 3,000 sq ft at 11 Brindley Place. Although serviced occupier demand is 32% lower than in 2017, strength in this sector remains consistent.
- › Birmingham city centre remains attractive to both occupiers and investors due to its landmark development schemes, offering a quality development pipeline, as well as its robust occupational market.

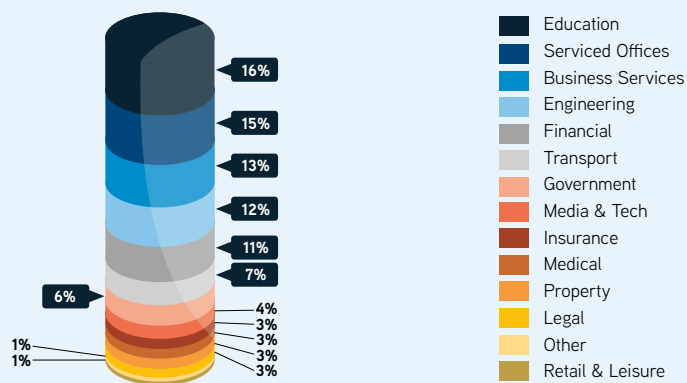
FIGURE 1: CENTRAL BIRMINGHAM QUARTERLY TAKE-UP



Source: Colliers International

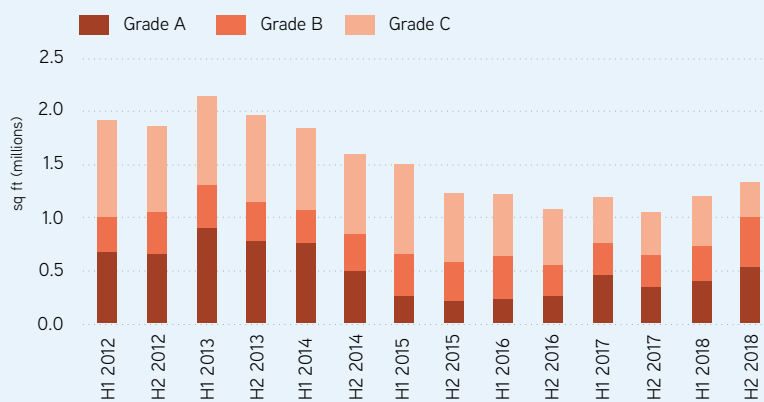
FIGURE 2: 2018 BIRMINGHAM OFFICE DEMAND

By Type



Source: Colliers International

FIGURE 3: BIRMINGHAM CITY CORE AVAILABILITY



Source: Colliers International

Supply

- › Grade A supply in the city centre eroded even further in 2018 to stand at 526,466 sq ft.
- › 2019 will see a number of new Grade A developments and refurbishments become available to the market. There is currently a total of 1,350,000 sq ft under construction, with 57% expected to complete in 2019. Only 78% (603,000 sq ft) of the total space due to complete in 2019 is not already pre-let. 3 Snow Hill (420,000 sq ft) will be the largest speculative development due to complete in Q2 2019.

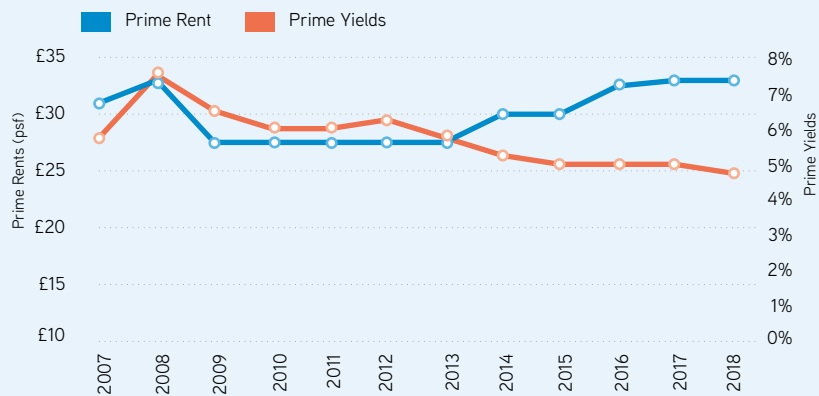
Rents

- › Prime rents in the city centre remain at £33.00 psf. We anticipate headline rents to continue upwards towards £36.50 psf by 2021.

Investments

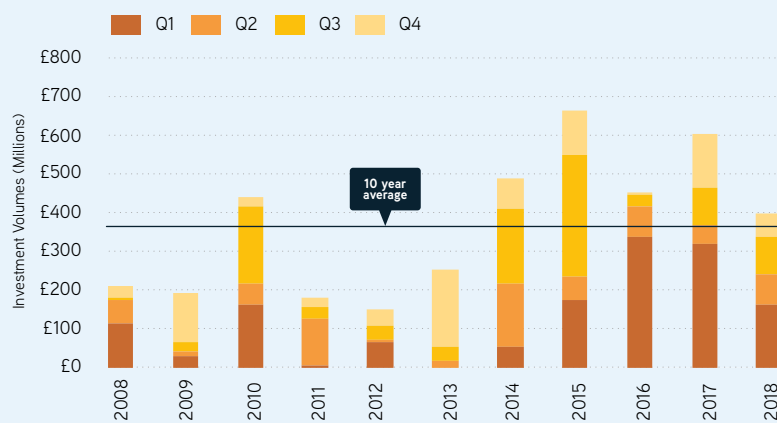
- › A total of £400 million transacted in Birmingham in 2018 and is 10% above the 10-year average. There were a total of three investment deals in Q4, totalling £61 million.
- › NFU Mutual Insurance's purchase of 2 Brunswick Street for £29.3 million at an initial yield of 6.5% and the procurement of 54 Hagley Road by Standard Life PIT (£24.3 million, N.I.Y 7.17%) were the two largest investment deals the final quarter.
- › Prime office yields remained at 4.75%. We expect yields to remain unchanged as investors continue to seek opportunities in the regional cities.

FIGURE 4: CENTRAL BIRMINGHAM PRIME OFFICE RENTS & YIELDS



Source: Colliers International

FIGURE 5: CENTRAL BIRMINGHAM OFFICE INVESTMENT VOLUMES



Source: Property Data/Colliers International



We expect yields to remain unchanged at 4.75%



OUT-OF-TOWN

- Annual out of town leasing activity in 2018 was at its highest level since 2015 at 358,115 sq ft. Demand started out steady in the first half of the year but grew with Q4 being the strongest in terms of space leased (108,338 sq ft). Take up in 2018 was 2% higher than the 5 year average take up figure of 349,631 sq ft.
- 2018 saw an increased trend for space greater than 10,000 sq ft. At the end of 2018 there were 14 deals greater than 10,000 sq ft totalling 202,638 sq ft (56% of the total space leased). This is 40% more deals in the larger size bands than in 2017. There was a marked increase in the 15,000 – 25,000 sq ft size band, which saw the number of deals in 2018 increase by more than 150%. The largest deal in this size band, in Q4 was 17,633 sq ft at 2650 Kings Court, Birmingham Business Park taken by Zhuzhou.
- The amount of available space in the out-of-town market is at its lowest level, 452,929 sq ft. As a result of decreased supply, vacancy levels are at an all-time low of 5.36%. This is down from 8.31% in 2017.
- Prime rents increased to £25.00 per sq ft with secondary rents also increasing to £17.00 per sq ft. With evidence of 'competitive bidding' between tenant emerging in late 2018 for high quality accommodation, we expect the lack of supply in the out-of-town market will continue to put upward pressure on both prime and secondary rents during 2019.
- Demand is expected to remain strong in 2019 due to occupier lease events as occupiers continue look to upgrade their current office space requirements.

FIGURE 9: INCREASE IN OUT-OF-TOWN DEALS >10,000 SQ FT

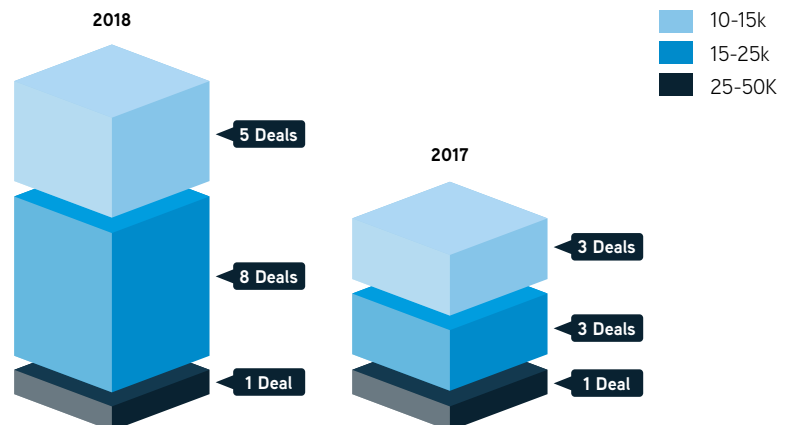
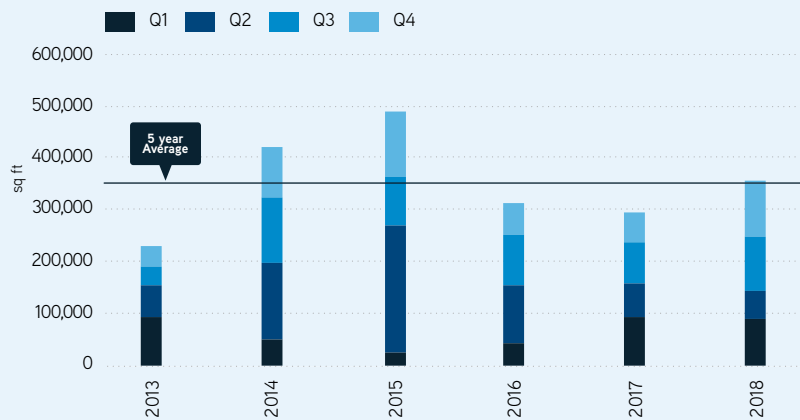
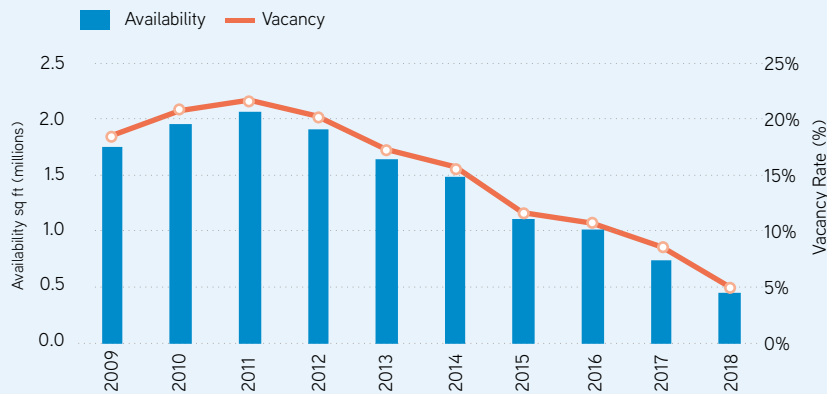


FIGURE 6: BIRMINGHAM OUT-OF-TOWN TAKE-UP



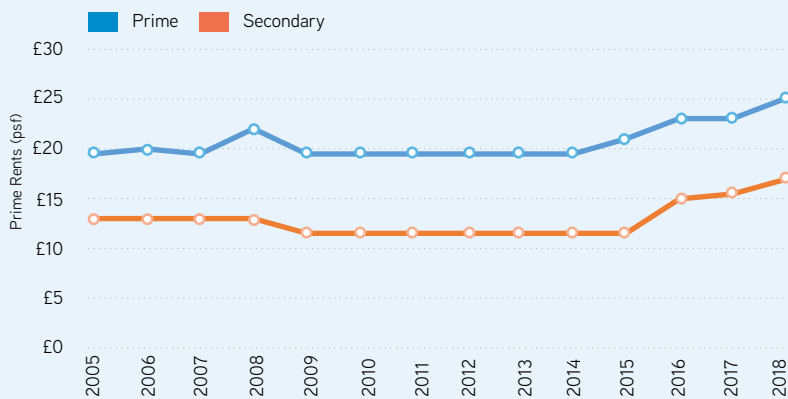
Source: Colliers International

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

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