

BIRMINGHAM | OFFICES

Q4 2017



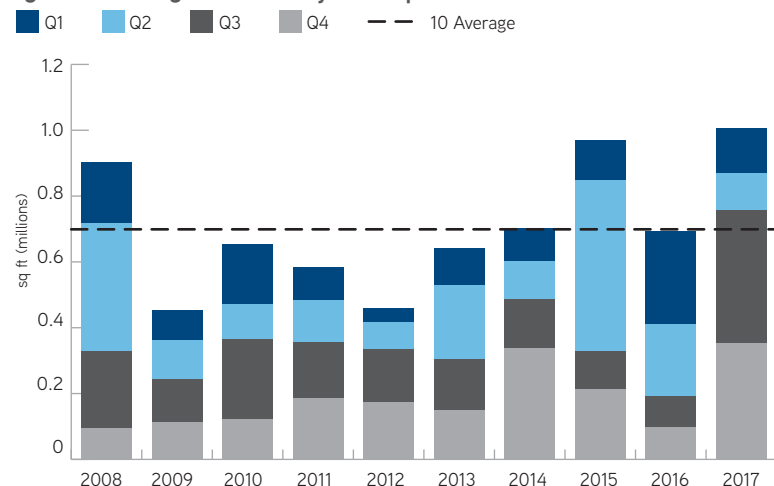
TAKE-UP

- Central Birmingham office take-up in the final quarter totalled 354,530 sq ft in 49 deals, taking the annual total past 1 million sq ft for the first time. The figure was significantly boosted by the 238,988 sq ft pre-let by the UK Government at 3 Arena Central in the third quarter. The year-end take-up totalled 1,005,072 sq ft in 130 separate deals and surpassed the previous record take-up in 2015 by 4%.
- In the key deal of Q4, IWG (formerly Regus) secured 76,000 sq ft of offices at Crossway on Great Charles Street, as well as 33,293 sq ft of the newly refurbished Lewis Building. The firm has responded to growing demand from a number of banking, outsourcing and infrastructure clients who seek a flexible occupational solution as a result of major inward investment moves to the city by groups such as HSBC and HS2.
- The accountancy firm PwC's additional pre-let of 58,631 sq ft at Two Chamberlain Square also demonstrated confidence in the city's economy. The firm previously took 90,000 sq ft at the scheme in 2016, which is currently under construction. 2018 has started on a positive note as the engineering consultancy firm WSP chose 47,000 sq ft of newly refurbished space at Mailbox for its West Midlands regional headquarters, with a further option to increase the letting up to 55,000 sq ft.

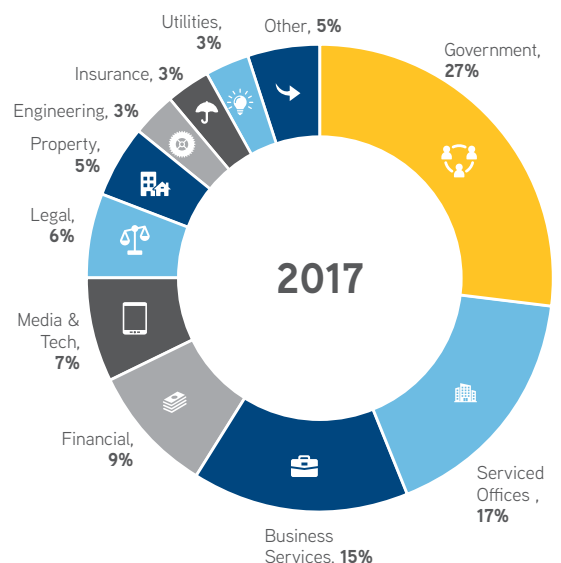


Figure 2: 2017 Birmingham Office Demand by Type

Figure 1: Birmingham Quarterly Take-up



Source: Colliers International



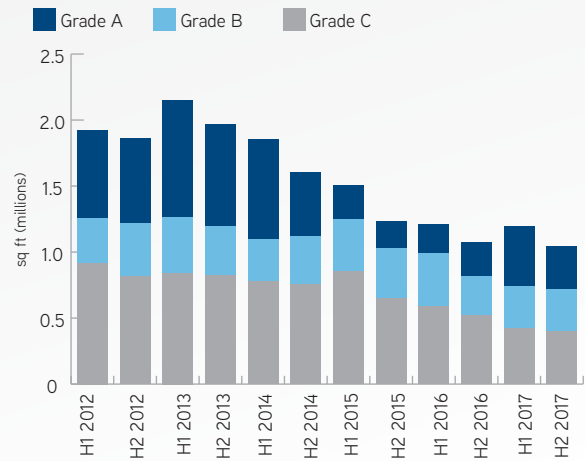
SUPPLY

- Following a boost in availability as a result of several refurbishments in the first half of 2017, city core Grade A supply has fallen again, currently representing circa 330,000 sq ft.
- The anticipated delivery of new office stock, which should help to alleviate the scarcity of Grade A supply by the end of 2019, includes Three Snowhill and One Chamberlain Square. The recently announced redevelopment of the 42-acre Birmingham Smithfield, the site of the city's former wholesale markets, will also see delivery of over 3 million sq ft of commercial space, 2,000 homes, 3,000 new jobs and has an investment value of over £1 billion.
- In Edgbaston, the city council approved proposals for a £300 million regeneration of a 10.7-acre plot along Hagley Road. The joint venture between Calthorpe Estates and U+I, known as New Garden Square, could potentially deliver more than 600,000 sq ft of office space and up to 400 apartments..

RENTS

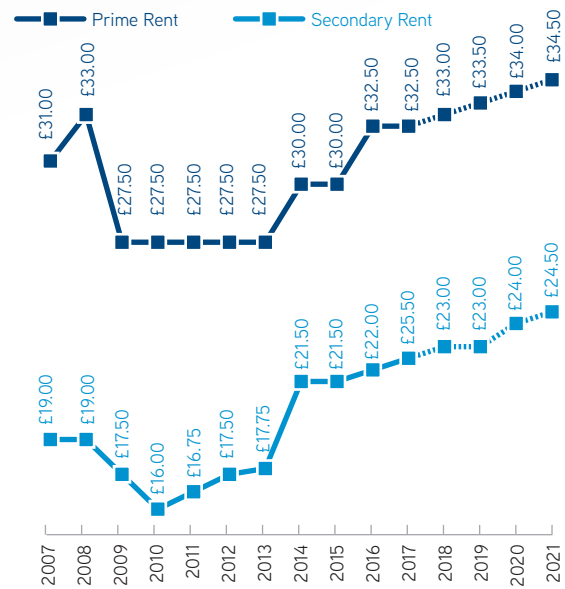
- Headline office rents in Birmingham remain at £32.50 psf and they are expected to exceed the record £33.00 psf in the next 12 months as key Grade A office schemes complete. Due to low levels of supply, secondary rents are also likely to see an upward movement, with the current £22.50 psf forecast to increase to £24.50 psf by 2021. Supply constraints could also see prime Grade A rents reach £34.00 per sq ft within the next 12 months and potentially £35.00 per sq ft in 2019.

Figure 3: Birmingham City Core Availability



Source: Colliers International

Figure 4: Birmingham Rents & Forecasts (psf)



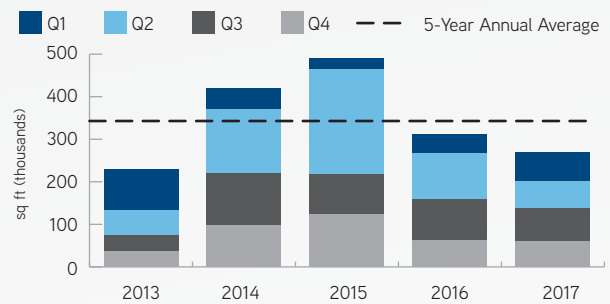
Source: Colliers International



BIRMINGHAM OUT-OF-TOWN

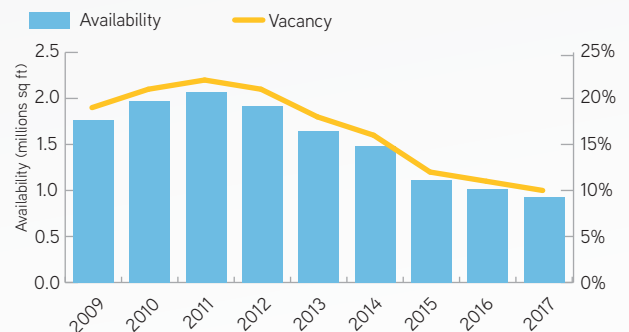
- Birmingham out-of-town take-up in Q4 2017 reached 60,036 sq ft in 16 deals, bringing the year-end take-up to 269,498 sq ft. The total was 22% below the five-year average, largely due to the shortage of supply and lack of landlord flexibility. A shortage of transactions over 10,000 sq ft has also impeded the market in achieving a healthier total for the year with only five deals over 10,000 sq ft, which is far lower than that typically achieved.
- Strong office demand in the Birmingham's out-of-town office market in previous years has depleted supply by 47% since 2009, while the vacancy rate currently stands at 10%. In the face of limited Grade A stock, new build developments are now being considered instead of refurbishing existing space. The market will see its first speculative development for almost ten years on Blythe Valley Business Park, where IM Properties will speculatively develop a new 15,000 sq ft unit.
- A lack of Grade A office supply in the Birmingham out-of-town market and continued demand has ensured steady rental growth in the past few years to the record £23.00 psf in Solihull, which is 5% above the 2008 peak. Solihull still presents a rental discount in comparison to the city centre, however, these rents are anticipated to continue rising over the next 12 months, as well as upward pressure on rents for refurbished office accommodation.
- Going forward, the Birmingham out-of-town market is likely to attract further HS2-related demand as 'north-shoring' firms will seek to take advantage of cost-efficiencies in the area. The forthcoming lease events in 2018, when occupiers begin reviewing alternatives for office space, are also expected to boost take-up in the coming year. However, the availability of high quality stock will prove crucial to satisfying the ongoing demand for offices in the area.

Figure 1. Birmingham Out-of-Town Take-up



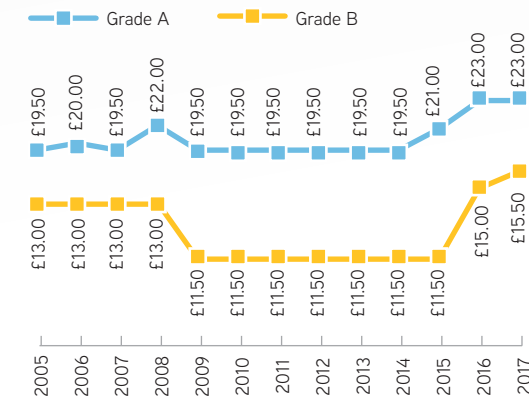
Source: Colliers International

Figure 2. Birmingham Out-of-Town Availability & Vacancy Rate



Source: Colliers International

Figure 3. Birmingham Out-of-Town Prime Rents (psf)



Source: Colliers International

FOR MORE INFORMATION

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