

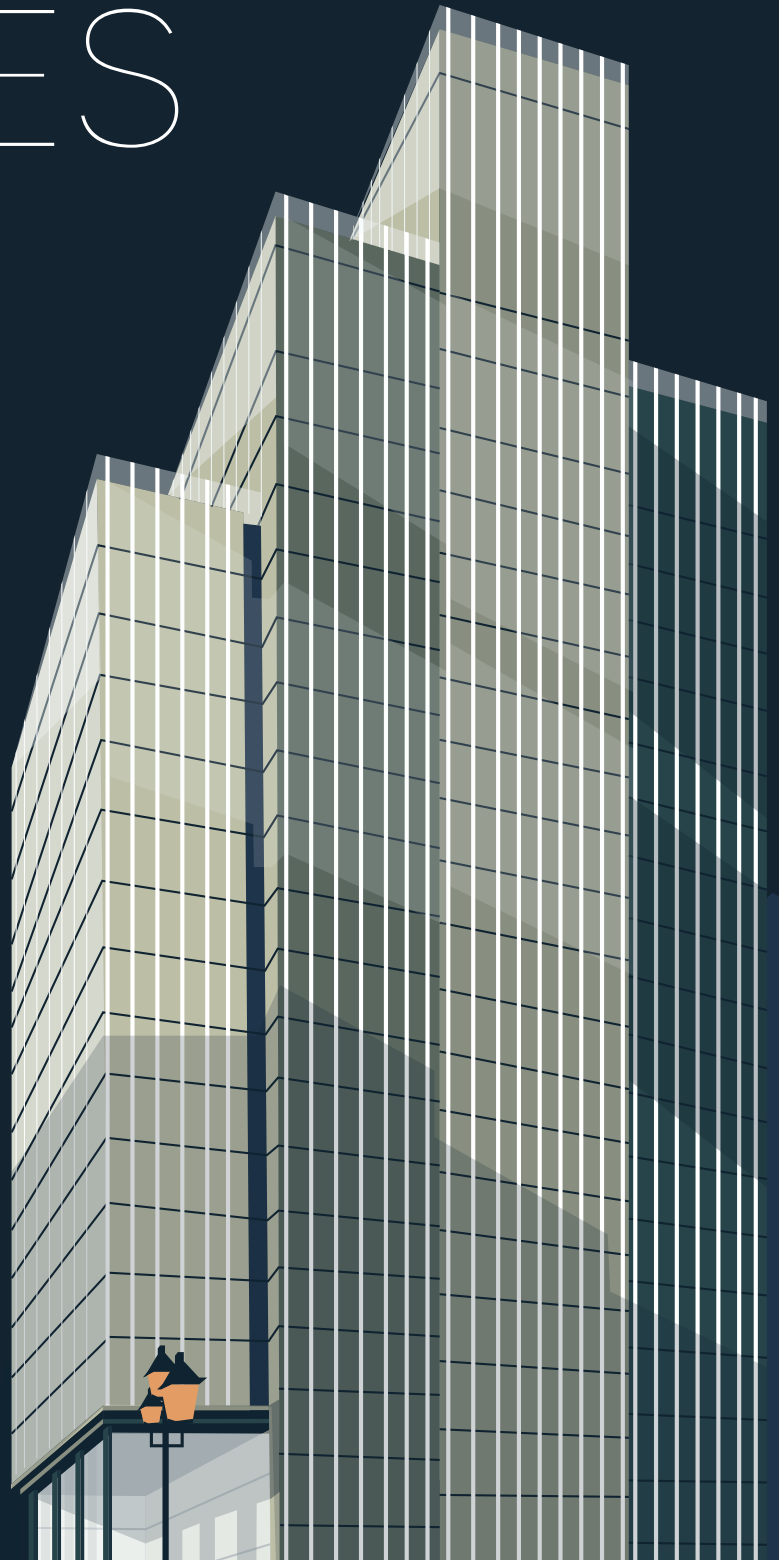


UNITED KINGDOM

# BIRMINGHAM

# OFFICES

QUARTER 3 | 2019



## Q3 2019 TAKE-UP

160,593

SQ FT

## 2019 TO DATE TAKE-UP

675,202

SQ FT

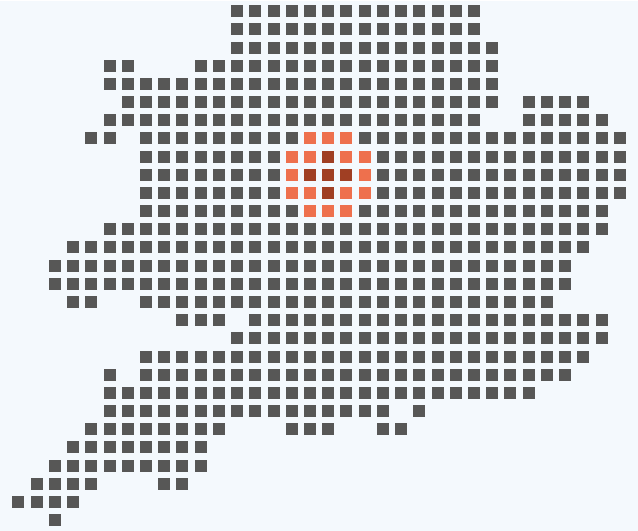
## GRADE A TAKE-UP

118,238

SQ FT

## HEADLINE RENT

£34 PSF

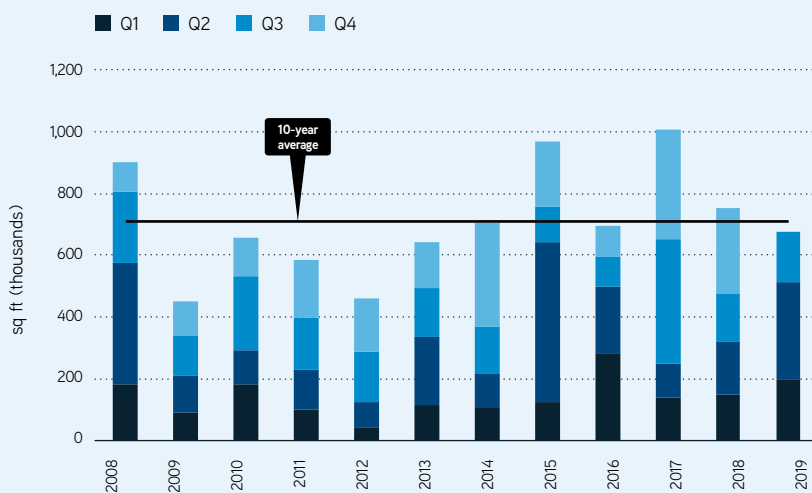


## CITY CENTRE

### Take-up

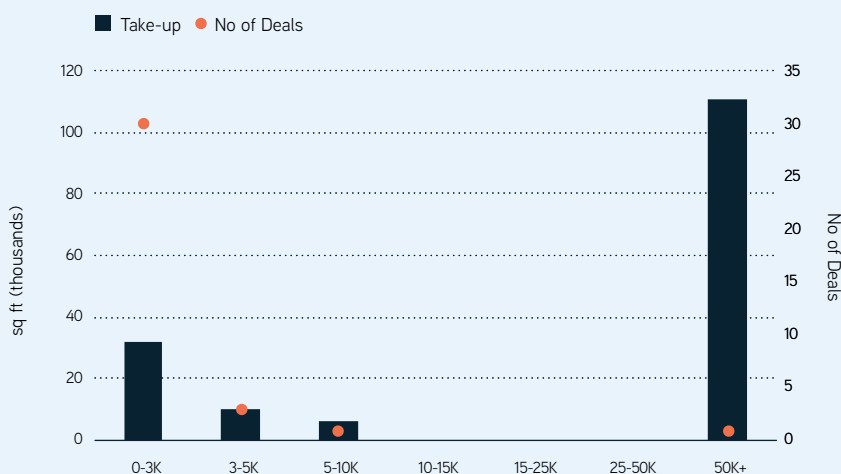
- › Q3 2019 take-up levels stood at 160,593 sq ft in 35 deals. Leasing activity this quarter was 50% lower than in Q2; however, it is representative of occupier hesitation in the market (see **Figure 1**). Demand year-to-date saw 675,202 sq ft leased in 90 deals.
- › The Property and Media & Technology sectors were the most active in terms of the number of deals this quarter, both at seven deals each. Serviced offices dominated take-up by deal size for the first three quarters of this year totalling c. 230,000 sq ft comprising of three deals that transacted in Q2.
- › Average quarterly take-up for the year to date was 225,067 sq ft. Should Q4 end on the same level of steady occupier activity, the city centre office market looks set to out-perform 2018 take-up and would place 2019 leasing activity well-above the 10-year average (710,633 sq ft).
- › Q3 Grade A transactions totalled 118,238 sq ft in 4 deals. Year-to-date Grade A take-up equalled 534,927 sq ft in 23 deals. The largest Grade A pre-let deal this quarter and this year dominated take-up figures at 110,000 sq ft. The second largest deal of the year WeWork take 92,670 sq ft at 6 Brindley Place.
- › Take-up this quarter was dominated by one deal over 100,000 sq ft; however, 20% of total transactions were buoyed by 30 deals below 3,000 sq ft (see **Figure 2**). Of the 30 deals in this size band, 20 were in the Digbeth area of Birmingham totalling 18,479 sq ft.
- › Despite political uncertainty in the UK, the Birmingham city centre office market is on course for another strong year in terms of take-up. With further substantial pre-let activity in the market, the expectation is that we'll see a strong finish to 2019 or a very strong start to 2020.

**FIGURE 1: BIRMINGHAM QUARTERLY TAKE-UP**



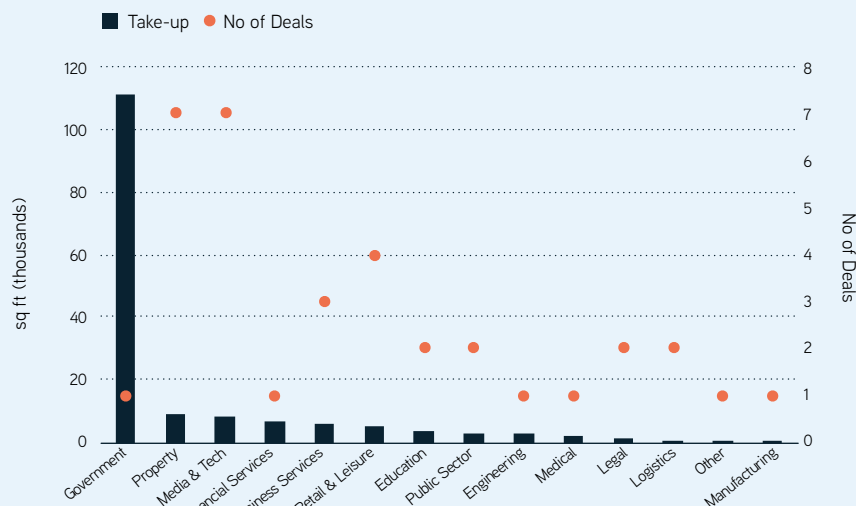
Source: Colliers International

**FIGURE 2: BIRMINGHAM Q3 2019 OFFICE TAKE-UP By Size Band**



Source: Colliers International

**FIGURE 3: Q3 2019 BIRMINGHAM OFFICE DEMAND By Type**



Source: Colliers International

## Supply

- › Overall city centre Grade A availability stood at 450,906 sq ft. Grade A supply was eroded further in the CBD area with a total of 294,224 sq ft available to let and Prime Grade A vacancy at 3.97%
- › There is currently 1.35 million sq ft of new Grade A space under construction and expected to complete by the end of this year, 494,110 sq ft is already pre-committed. There are two substantial projects, which are edging closer to their year-end completion dates - 3 Snowhill (420,000 sq ft) will be the largest speculative development and One Chamberlain Square (172,000 sq ft), which is pre-let in its entirety to PWC, is also set to complete in Q4.

## Rents

- › Prime rents in the city centre remained at £34.00 psf. We anticipate headline rents to continue upwards beyond £35.00 psf over the next two years and forecast to reach £36.50 psf by 2021.

## Investment

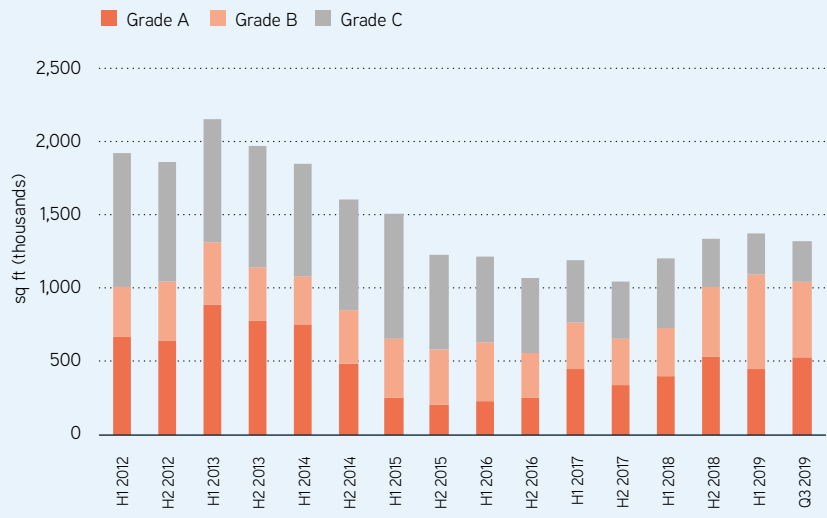
- › Investment volumes in Q3 saw £103 million transacted in six deals, whilst year-to-date investment volumes totalled almost £348 million. Credit Suisse led with the purchase of 120 Edmund Street for £43.5 million reflecting 6.1%. In the second largest deal this quarter, Longmead Capital bought 8 Cherry Street for £19 million. Topland acquired 60 Church Street in September for £16.80 million reflecting 6.75% and was closely followed by a private investor who transacted on the Guildhall Buildings for £12.25 million.
- › Prime office yields remained at 4.75% although this has not been tested. We expect yields to remain unchanged, with strong occupational market dynamics, continued overseas interest and a shortage of openly marketed stock.
- › With the uncertainty surrounding Parliament and the UK economy, long income opportunities with guaranteed rental performance remain keenly sought after. Multi-let town and city centre offices are also top of investors' shopping lists, particularly domestic property companies and private equity investors. UK Institutions have been notably quiet this quarter.



*We expect yields to remain unchanged, with strong occupational market dynamics*

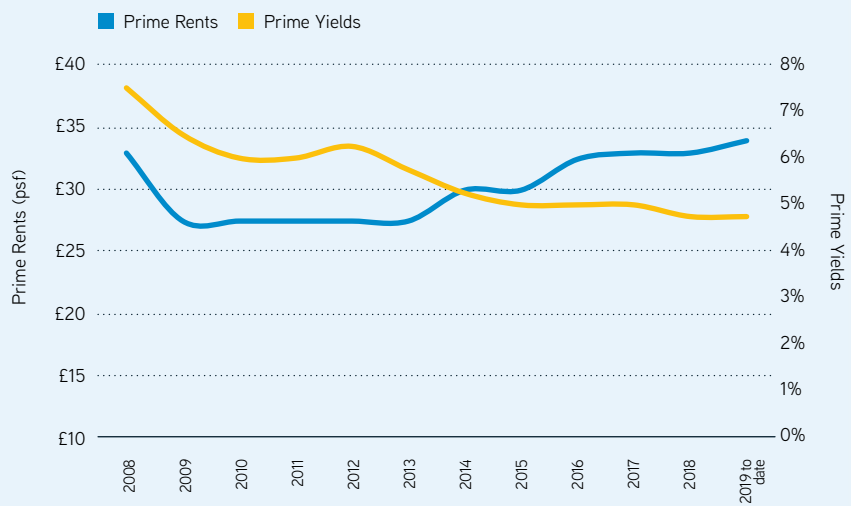


**FIGURE 4: BIRMINGHAM CITY CORE AVAILABILITY by Grade**



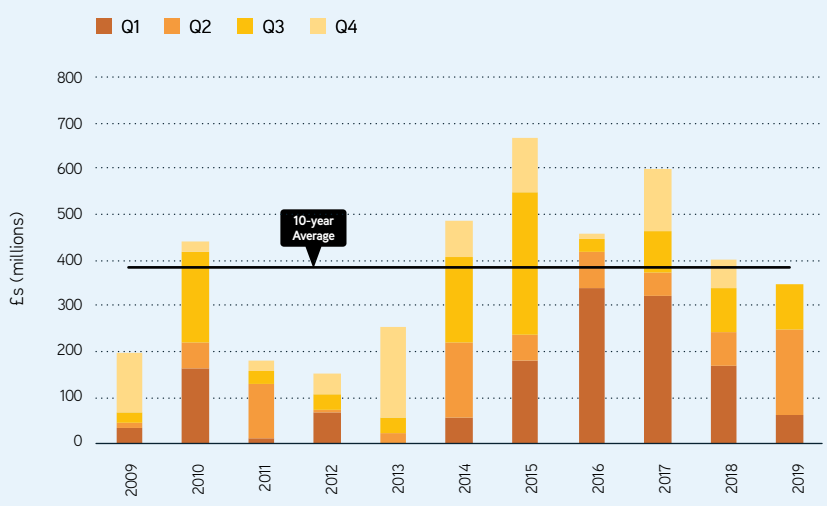
Source: Colliers International

**FIGURE 5: BIRMINGHAM PRIME OFFICE RENTS & YIELDS**



Source: Colliers International

**FIGURE 6: BIRMINGHAM OFFICE INVESTMENT VOLUMES**

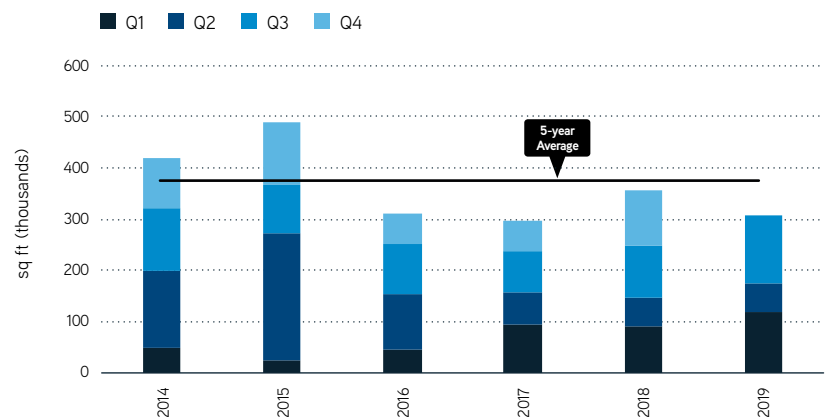


Source: Colliers International

# M42

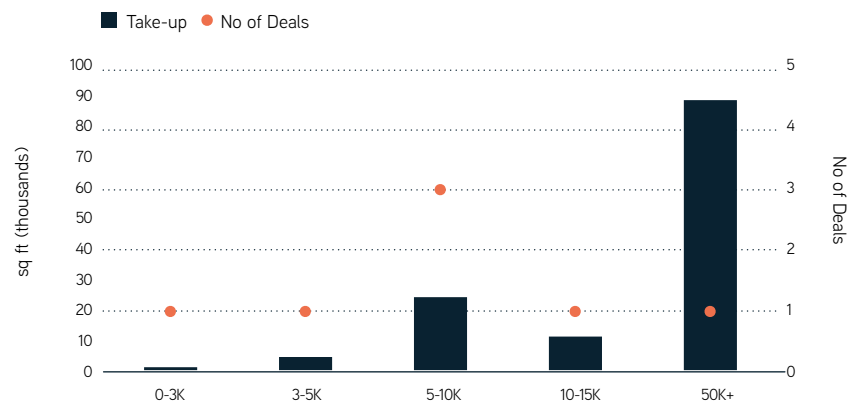
- Q3 saw the highest take-up levels in the M42 this year, with transactions totalling 130,000 sq ft in seven deals. Leasing activity was dominated by one deal at Blythe Business Park, where ZF purchased a 90,000 sq ft plot. ZF will develop a purpose-built technical centre and office building, which will be their regional HQ. Year-to-date leasing totalled 306,367 sq ft, which is the highest transactional total since Q1-Q3 2015 (365,769 sq ft).
- There was only one deal greater than 10,000 sq ft Llamasoft took 11,093 sq ft at Pegasus House, Solihull. 23% of total take-up this quarter was for space below 10,000 sq ft, which comprised of five deals.
- No sectors dominated the M42 occupier market in terms of number of deals; however, the automotive and the media & technology sector were active in total square feet leased.
- Strong leasing levels year-to-date saw availability levels continue to fall, with total Q3 available space at 339,140 sq ft, resulting in 4.01% overall vacancy. With a number of office buildings in the process of being refurbished along the M42 at Junction 6 (Birmingham Airport), Junction 5 (Solihull Town Centre) and Junction 4 (Shirley), this is likely to the lowest vacancy rate we will see in the short term, unless we see an increase in the rate of office take up.
- Prime M42 rents remain the same at £25.00 psf, we expect these to increase in 2019 due to the lack of supply in the market.

FIGURE 1: **BIRMINGHAM M42 TAKE-UP**



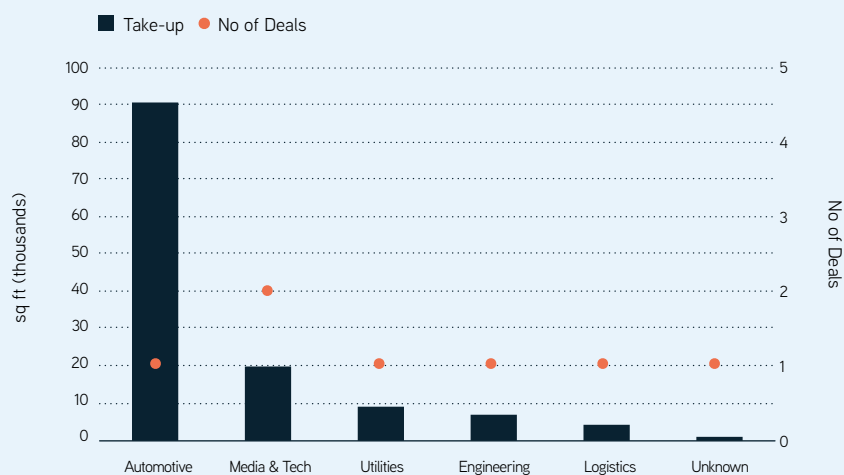
Source: Colliers International

FIGURE 2: **M42 Q3 2019 TAKE-UP by Size Band**



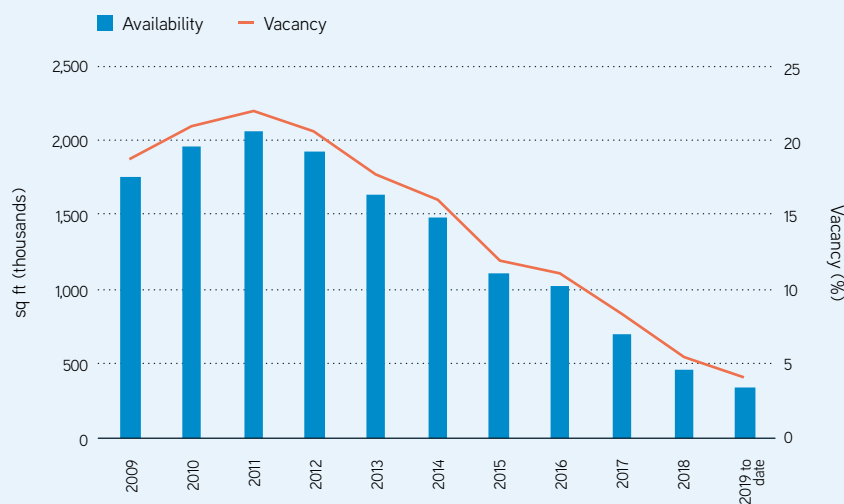
Source: Colliers International

**FIGURE 3: M42 Q3 2019 TAKE-UP**  
by Business Type



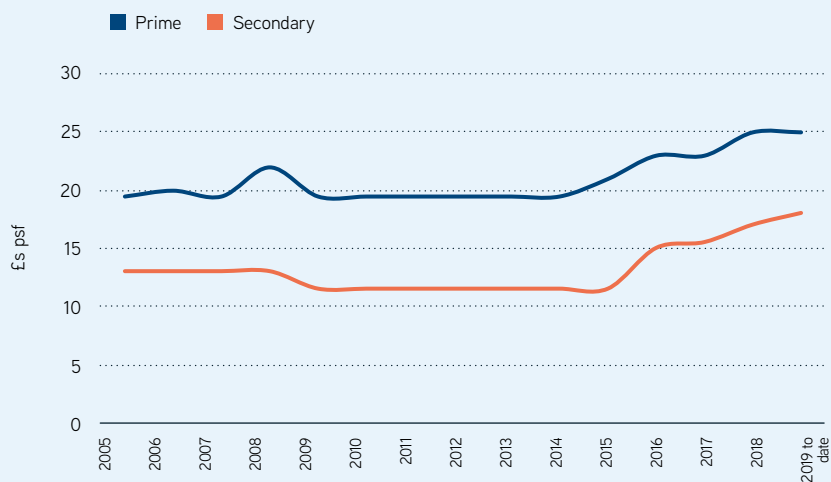
Source: Colliers International

**FIGURE 4: M42 AVAILABILITY & VACANCY RATE**



Source: Colliers International

**FIGURE 5: M42 PRIME RENTS (PSF)**



Source: Colliers International

## FOR MORE INFORMATION

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### OFFICE AGENCY

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

**Richard Williams**  
+44 121 265 7630  
richard.williams@colliers.com

### NATIONAL CAPITAL MARKETS

**Alex Titheridge**  
+44 20 7487 1617  
alex.titheridge@colliers.com

### RESEARCH & FORECASTING

**Lisa Dean**  
+44 20 7487 1961  
lisa.dean@colliers.com

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Colliers International | UK  
50 George Street  
London W1U 7GA



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