

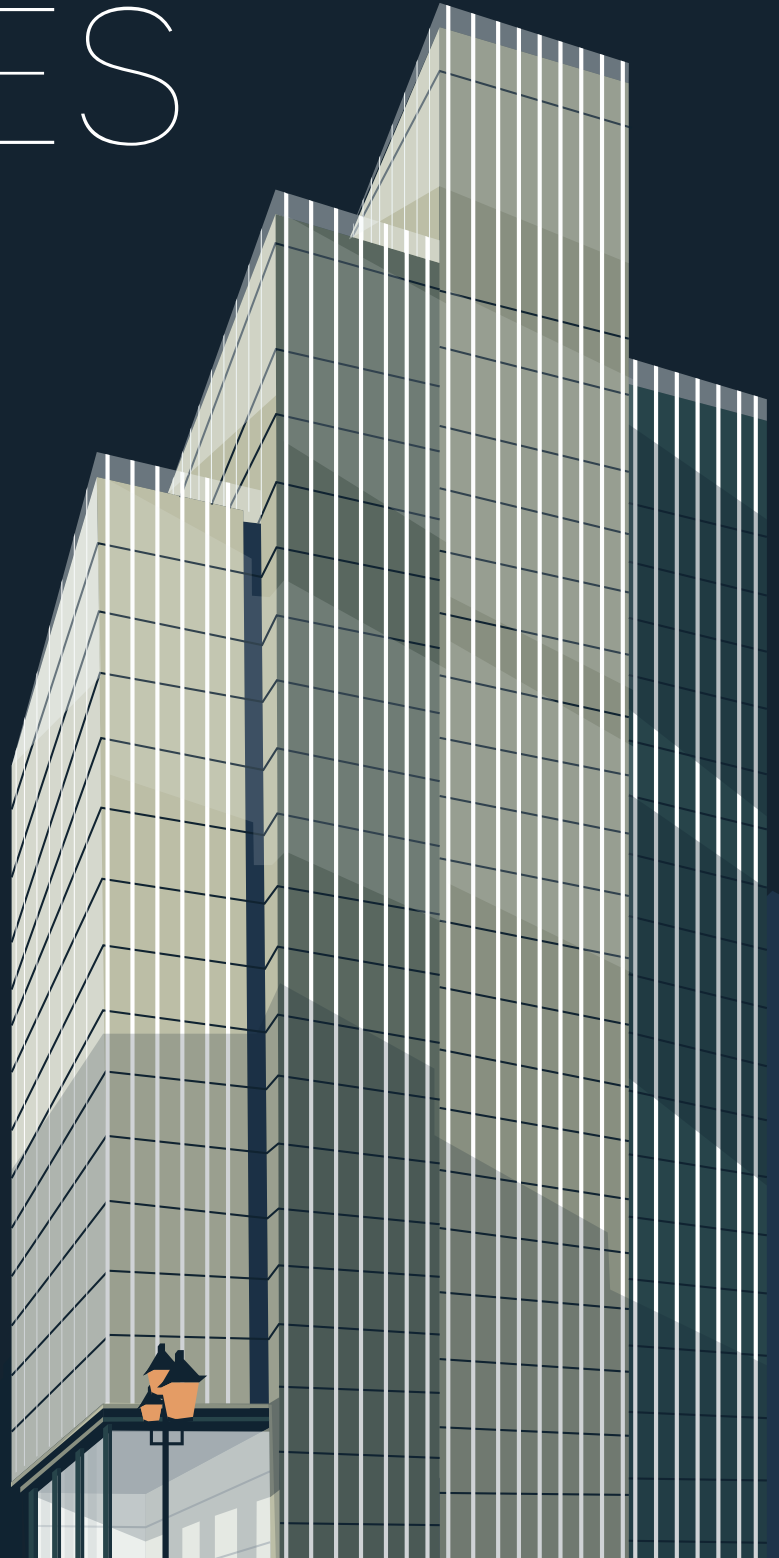


UNITED KINGDOM

BIRMINGHAM

OFFICES

QUARTER 4 | 2019



2019 ANNUAL TAKE-UP

780,095

SQ FT

2019 KEY DEAL

110,780

SQ FT TO SECRETARY OF STATE

SERVICED OFFICES TAKE-UP

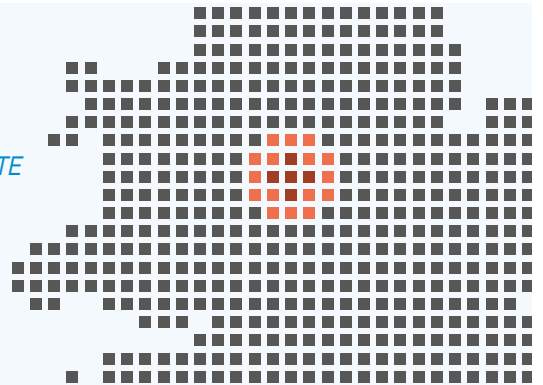
229,042

SQ FT

HEADLINE RENT

£34.50

PSF

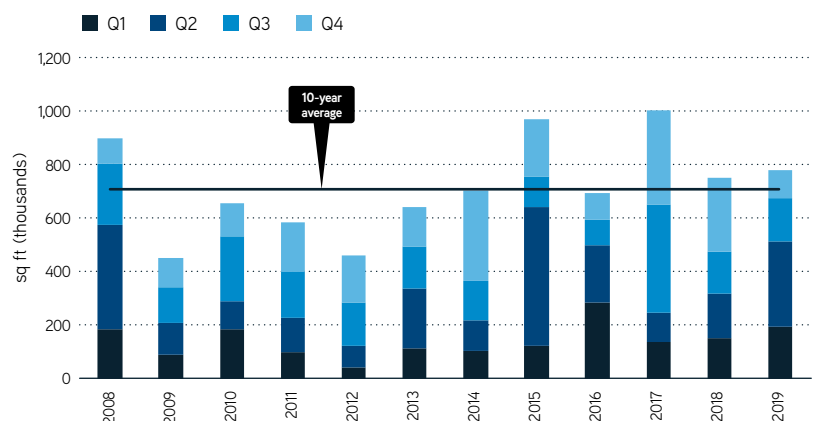


CITY CENTRE

Take-up

- Annual take-up in Birmingham city centre ended in 2019 with a total of 780,095 sq ft transacted in 116 deals, which was 4% higher than 2018. 2019 total transaction levels also exceeded the 10-year average take-up by 10%.
- Leasing activity in Q4 was the lowest this year with a total of 104,893 sq ft transacted in only 26 deals.
- 77% of total take-up in 2019 was for Grade A space, totalling 604,321 sq ft. The Secretary of State's pre-commitment at Platform 21 was the largest Grade A deal this year taking 110,000 sq ft. WeWork were responsible for three of the Top 5 largest deals of the year, totalling 229,042 sq ft. The Commonwealth Games took 72,261 sq ft at One Brindleyplace. In Q4, there was only one Grade A transaction above 20,000 sq ft.
- More than half of total take-up was for deals 50,000 sq ft and above, 412,083 sq ft; however, this total was only comprised of five deals. Notably there were 80 deals below 3,000 sq ft, accounting for a total of 111,483 sq ft of take-up. Of the 80 deals in the lower size bands, 57 of them were for Grade B stock.
- WeWork alone dominated the serviced office sector activity throughout 2019 accounting for nearly 230,000 sq ft in three deals all of which transacted in Q2.
- The Media & Technology sector was most active in terms of number of deals, 18 which were for transactions below 5,000 sq ft.
- The solid result of the General Election in the UK has improved sentiment amongst occupiers and investors. Birmingham city centre remains attractive to occupiers and with one landmark deal already signed in Q1 2020, we are expecting occupier demand to remain strong in the city centre over the course of next year.

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



Source: Colliers International

FIGURE 2: BIRMINGHAM ANNUAL OFFICE TAKE-UP
 By Size Band

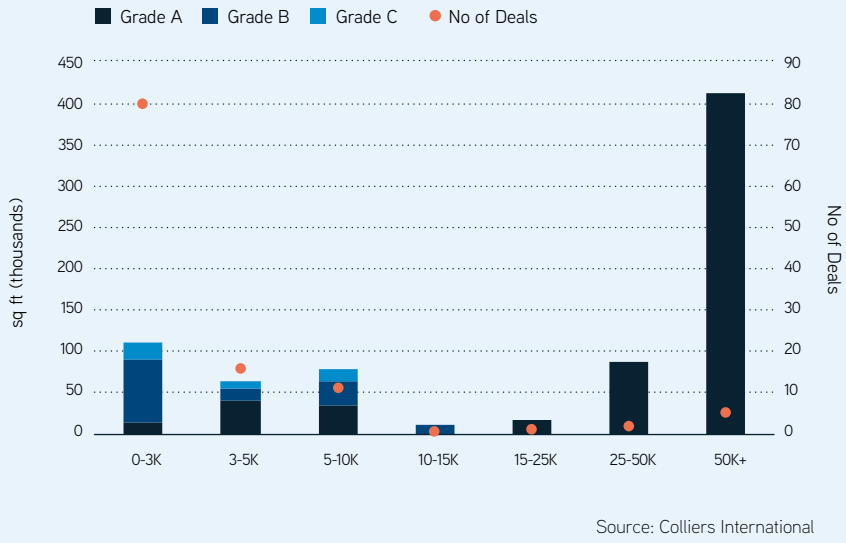


FIGURE 3: BIRMINGHAM ANNUAL OFFICE DEMAND
 By Type

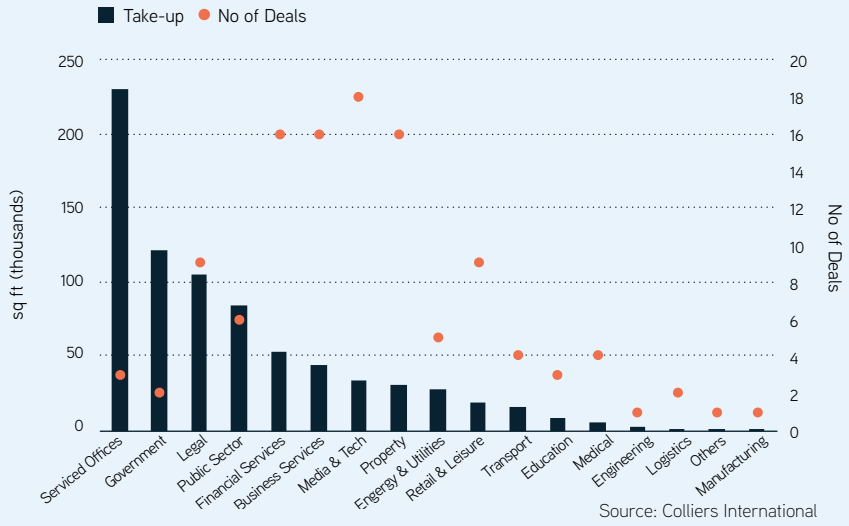
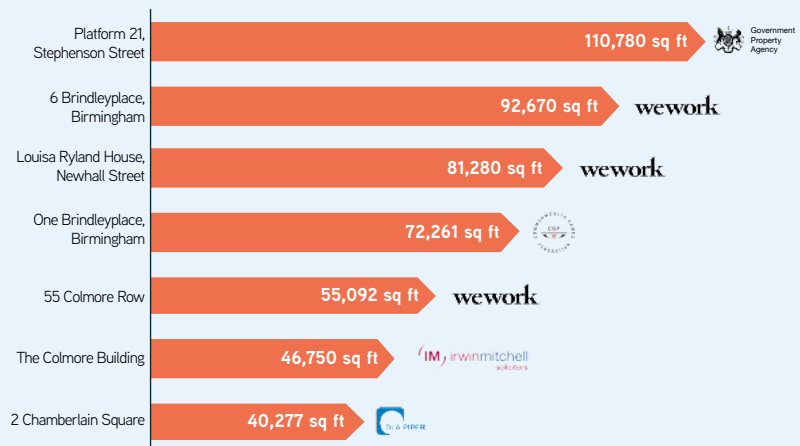


FIGURE 4: BIRMINGHAM 2019 TOP OCCUPIER DEALS



Supply

- › Overall city centre Grade A availability stood at 395,903 sq ft. Grade A supply was eroded further in the CBD area with a total of 248,869 sq ft available to let and Prime Grade A vacancy of 3.28%.
- › One Grade A development completed at the end of 2019. One Chamberlain Square (150,000 sq ft), which was pre-let in its entirety to PWC in Q4 2017. There is 955,110 sq ft under construction and due to complete by June of this year. 103 Colmore Row will deliver 233,000 sq ft in May 2021. 3 Snow Hill (420,000 sq ft) will be the largest speculative development due to complete in Q1 2020 and has already secured a substantial pre-let.

Rents

- › Prime rents in the city centre increased to £34.50 psf. We anticipate headline rents to continue to increase in 2020.

Investment

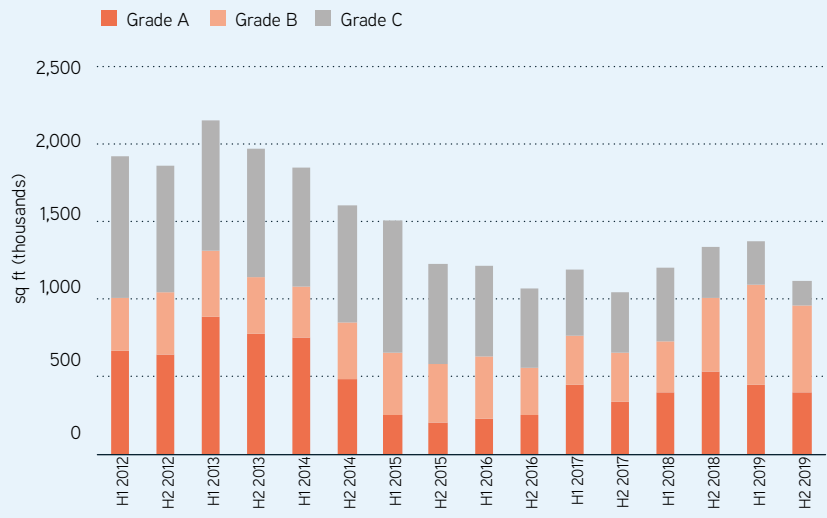
- › A total of £611 million transacted in Birmingham in 2019, almost a 50% increase on 2018 and 59% above the 10-year average. There were a total of five investment deals in Q4 totalling £263 million.
- › M7 Real Estate's purchase of The Mailbox for £189 million, at an initial yield of 6.5%, saw the largest mixed-use investment acquisition outside of London. Royal London Asset Management purchased 45 Church Street for £61 million, at an initial yield of 5.32%. The Mailbox was the largest investment deal of 2019 after Gulf Islamic Investments' purchase of Priory Court and The Lewis Building for £140 million.
- › Prime office yields remained at 4.75%. We expect yields to remain unchanged as Birmingham continues to attract investor demand with income producing city centre assets the most sought after.



Birmingham will continue to attract investor demand with income producing city centre assets the most sought after

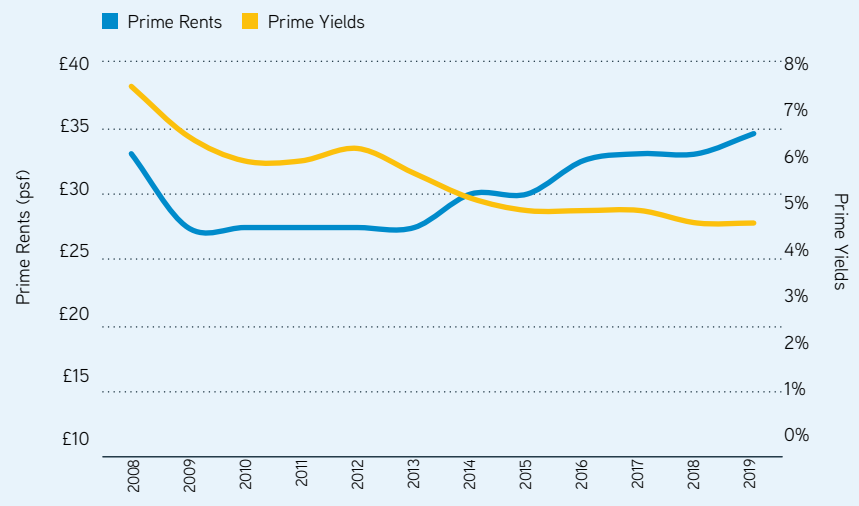


FIGURE 5: BIRMINGHAM CITY CORE AVAILABILITY by Grade



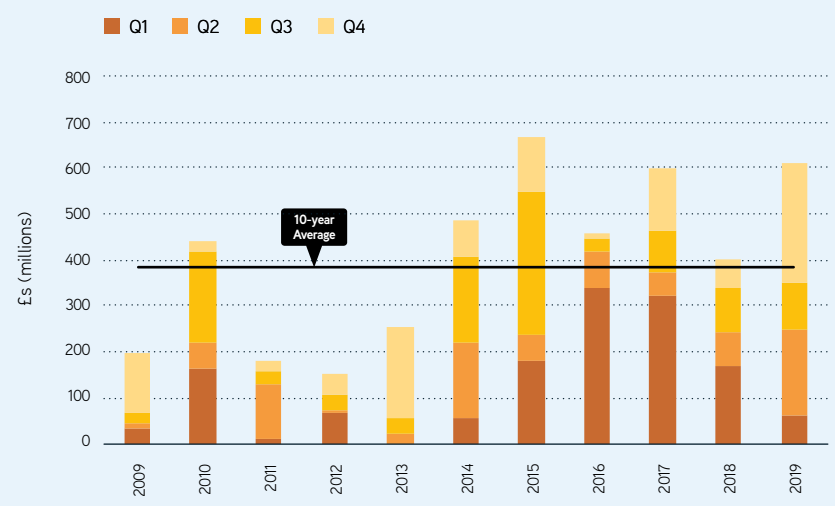
Source: Colliers International

FIGURE 6: BIRMINGHAM PRIME OFFICE RENTS & YIELDS



Source: Colliers International

FIGURE 7: BIRMINGHAM OFFICE INVESTMENT VOLUMES

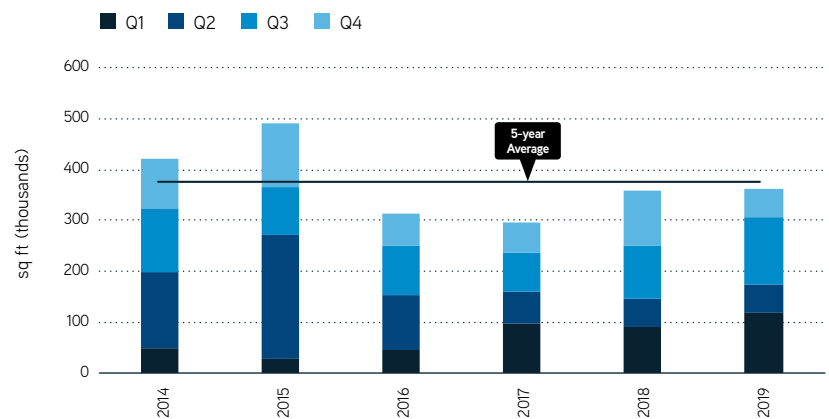


Source: Colliers International

M42

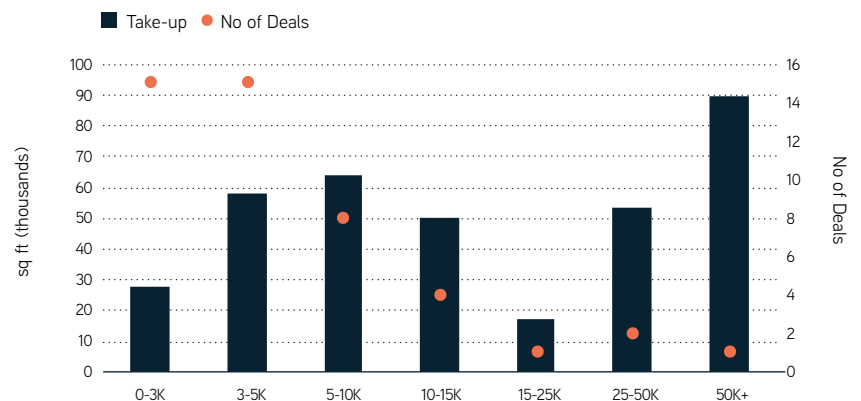
- Annual out-of-town leasing activity was at 361,153 sq ft, nearly reaching the 5yr average of 375,417 sq ft. Q4 total take-up was at 54,786 sq ft in 13 deals. The largest deal this quarter was for 17,101 sq ft, which was taken as a pre-let by a private tenant at Plot A2, Blythe Valley Business Park.
- There was no clear trend for leasing activity in size bands in 2019, however, most deals (30) were for transactions below 5,000 sq ft.
- No sectors dominated the M42 occupier market in terms of total square feet transacted; however, the Media & Technology sector accounted for the largest number of total transactions, with 13 deals during 2019. The largest of these deals saw Llamasoft transact on 11,093 sq ft of office space in Pegasus House, Solihull.
- Pre-lets played a significant part in the M42 occupier market in 2019. There were a total of three deals accounting for 132,922 sq ft. 83% of all deals above 15,000 sq ft were pre-lets, the largest being 90,001 sq ft leased by ZF at Plot A, Blythe Valley Business Park. As the lack of supply continues, we expect the prevalence of pre-lets to continue.
- The lack of new supply and strong leasing levels year-to-date saw availability levels continue to fall, with total available space at 406,194 sq ft, resulting in 4.80% overall vacancy.
- Prime rents increased to £26.00 psf and secondary rents increased to £18.50 psf. We expect the lack of supply in the out-of-town market will continue to put upward pressure on rents throughout 2020.

FIGURE 1: M42 TAKE-UP



Source: Colliers International

FIGURE 2: M42 2019 TAKE-UP by Size Band



Source: Colliers International

FIGURE 3: M42 2019 TAKE-UP
by Business Type

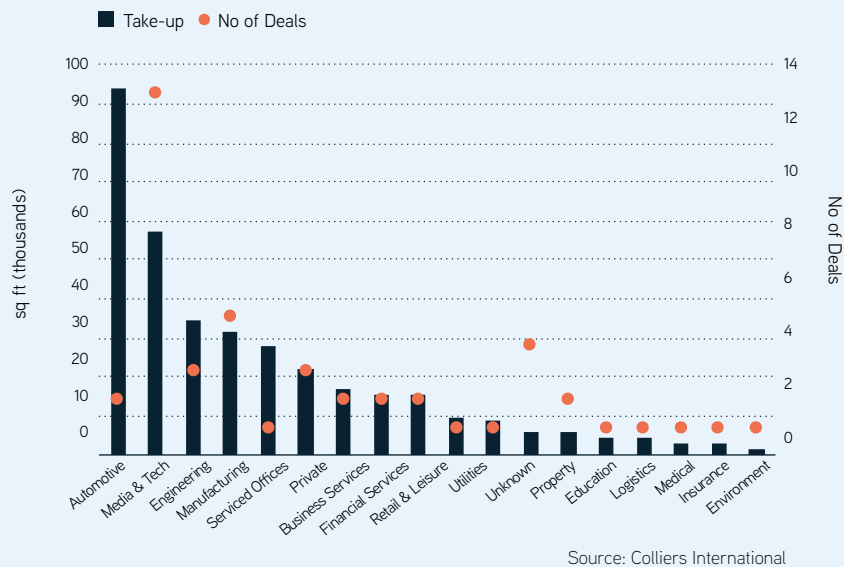


FIGURE 4: M42 AVAILABILITY & VACANCY RATE

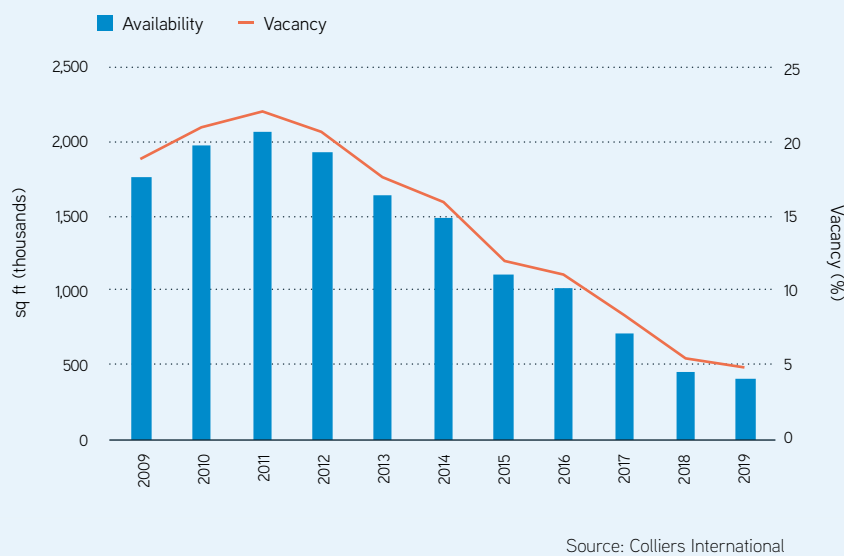
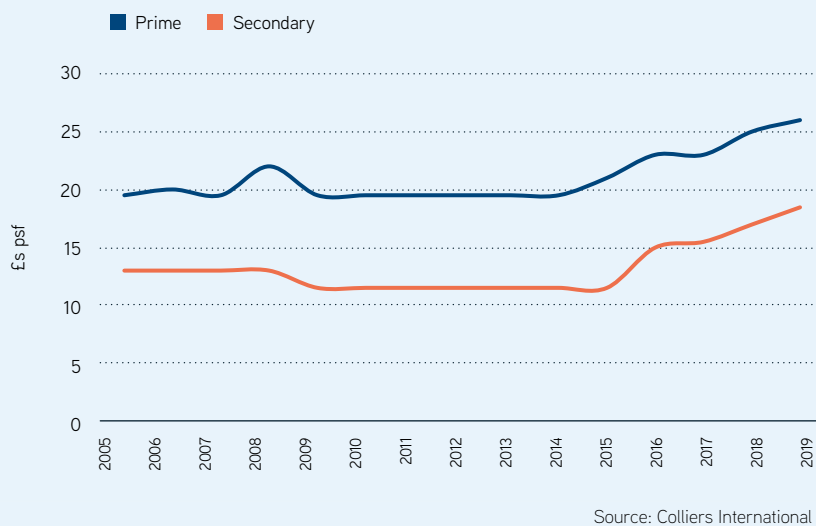


FIGURE 5: M42 PRIME RENTS (PSF)



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