

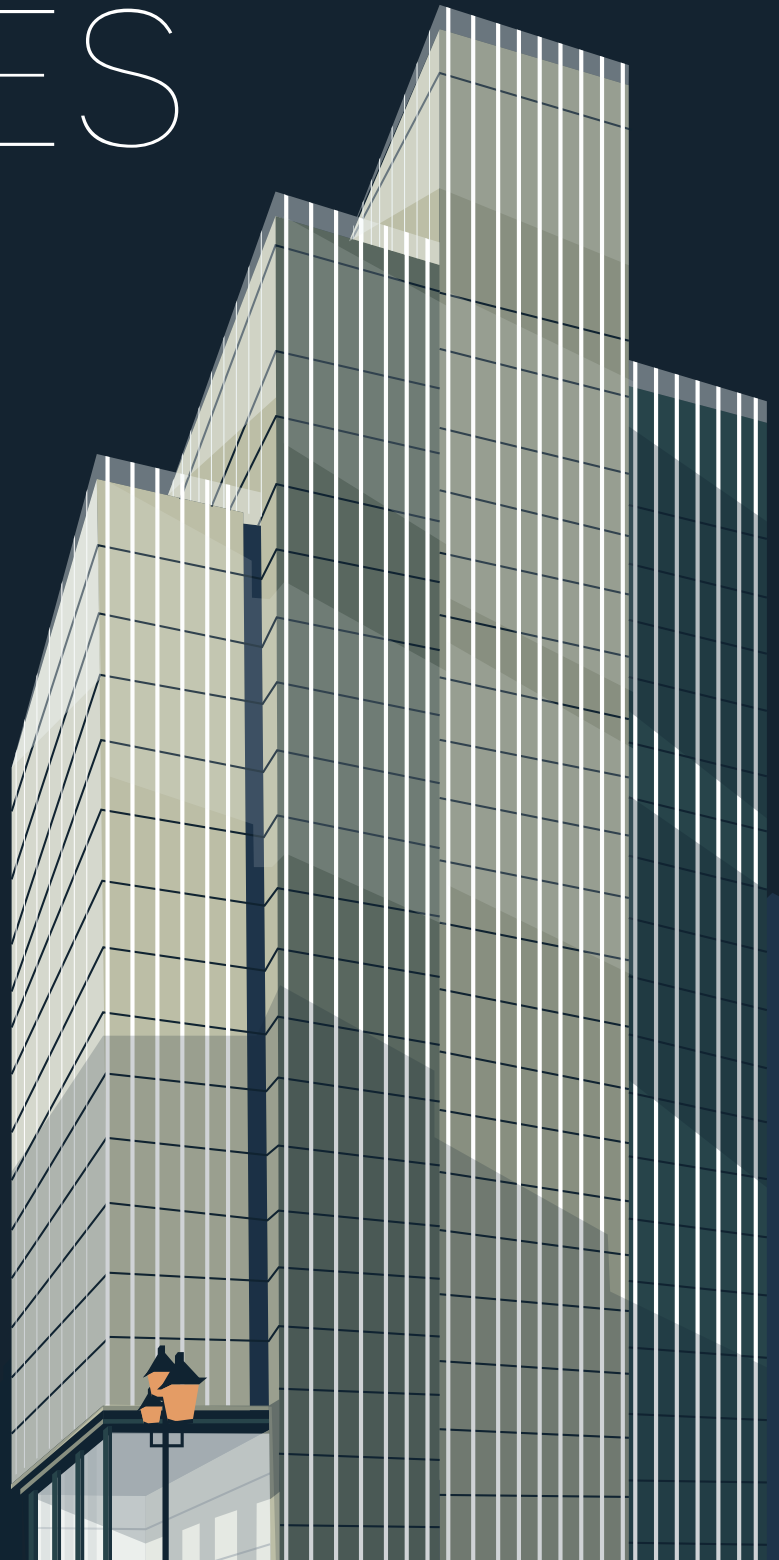


UNITED KINGDOM

# BIRMINGHAM

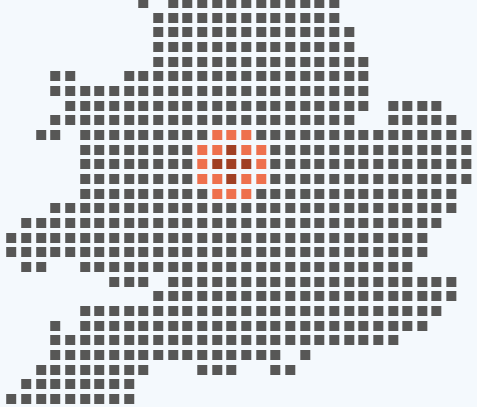
# OFFICES

QUARTER 1 | 2019



**Q1 2019 TAKE-UP**  
**194,014**  
SQ FT

**KEY DEAL**  
**72,261**  
SQ FT LET TO COMMONWEALTH GAMES AT ONE BRINDLEYPLACE



**GRADE A TAKE-UP**  
**154,172**  
SQ FT

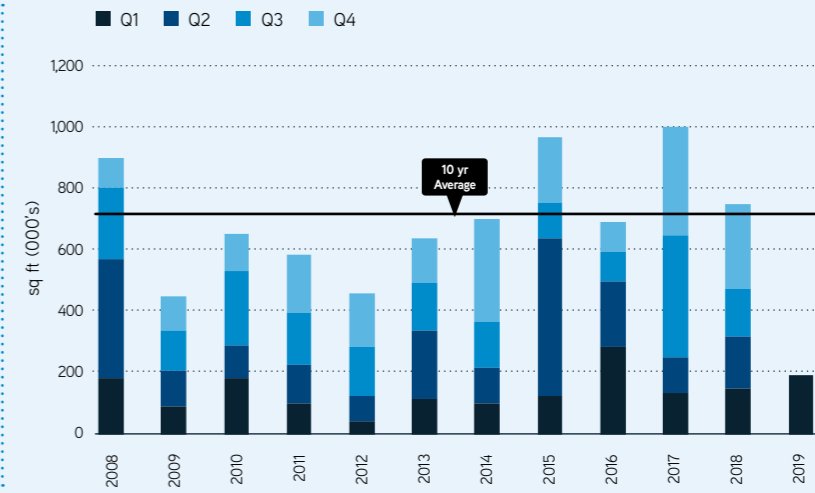
**HEADLINE RENT**  
**£33** PSF

## CITY CENTRE

### Take-up

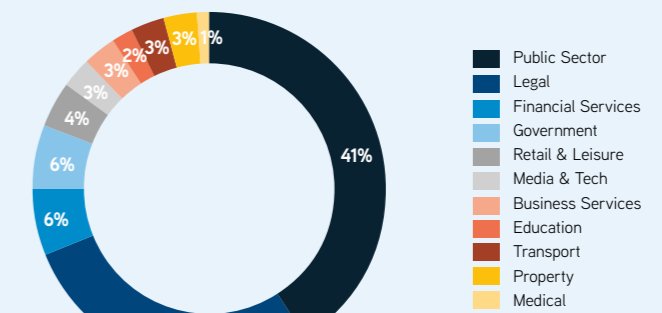
- › Central Birmingham office take-up in Q1 2019 totalled 194,014 sq ft in 25 deals. It represents a healthy start to the year, with one of the highest first quarter take-up levels since 2016 (see **Figure 1**).
- › One of the largest deals this quarter saw The Commonwealth Games sublet 72,261 sq ft from Deutsche Bank at One Brindleyplace. This deal alone helped to buoy first quarter take-up levels in the city centre, accounting for 37% of take-up, and contributed to the dominance of the public sector this quarter (see **Figure 2**). The Commonwealth Games Committee are responsible for delivering the event, which will be hosted by Birmingham in 2022.
- › The legal sector was the second most active this quarter, which was dominated by Irwin Mitchell taking 46,750 sq ft in The Colmore Building. This letting and a letting for 7,859 sq ft to Interface Europe saw Ashby Capital's The Colmore Building fully let after its major refurbishment in 2016.
- › Q1 saw no serviced office activity in the city centre. Demand for such space is expected to increase during the year as a number of sizeable requirements are rumoured to be in advanced negotiations.
- › Continued political and economic uncertainty is expected to see a slower Q2 in terms of the volume of leasing activity; however, the latter half of the year should still yield strong levels of take-up with some substantial occupier requirements expected to complete.

FIGURE 1: BIRMINGHAM QUARTERLY TAKE-UP



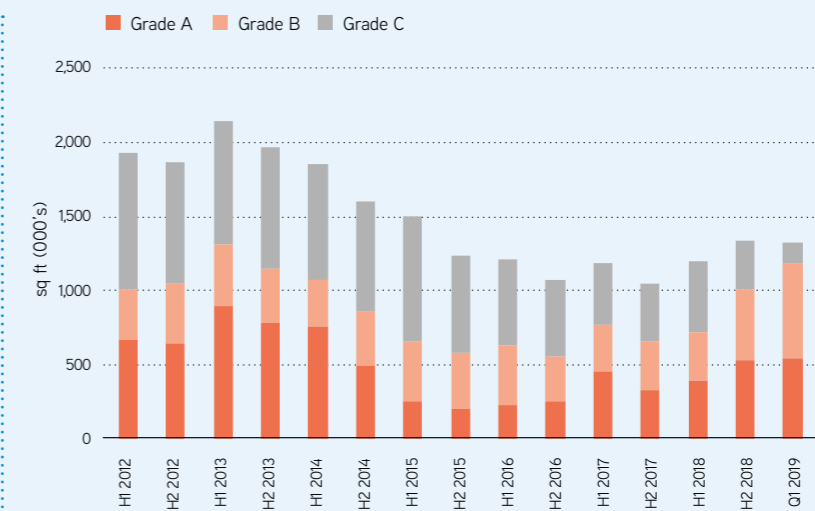
Source: Colliers International

FIGURE 2: Q1 2019 BIRMINGHAM OFFICE DEMAND By Type



Source: Colliers International

FIGURE 3: BIRMINGHAM CITY CORE AVAILABILITY



Source: Colliers International

### Supply

- Overall Grade A availability stood at 538,788 sq ft. Grade A supply was constrained further in the CBD area with a total of 355,248 sq ft available to let and Prime Grade A vacancy at 4.84%.
- With a number of new Grade A developments and refurbishments due to complete this year, there is currently a total of 1,350,000 sq ft under construction, with 57% expected to complete in 2019. Only 603,000 sq ft of the total space due to complete is pre-let, this includes Three Arena Central, One Chamberlain Square and 1 Centenary Square. 3 Snow Hill (420,000 sq ft) will be the largest speculative development due to complete in Q3 2019.

### 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 £36.50 psf by 2021.

### Investment

- With the continued uncertainty in the UK political environment and lack of any clear decision over our exit from Europe, it will come as no surprise that Q1 2019 saw a significant reduction in investment activity in the Birmingham office market.

The quarter witnessed six transactions totalling approximately £60 million, which was a notable decrease when compared to Q1 2018 which saw five transactions totalling £165 million. Of the £60 million transacted this quarter, the most significant deals of note were;

- NFU Mutual's acquisition of Two Brindleyplace for £29.3m
- Regional REIT's acquisition of Norfolk House for £20m.

Prime office yields remain at 4.75% and we expect this to remain unchanged as investors continue to seek opportunities in the regional cities.

FIGURE 4: BIRMINGHAM PRIME OFFICE RENTS & YIELDS

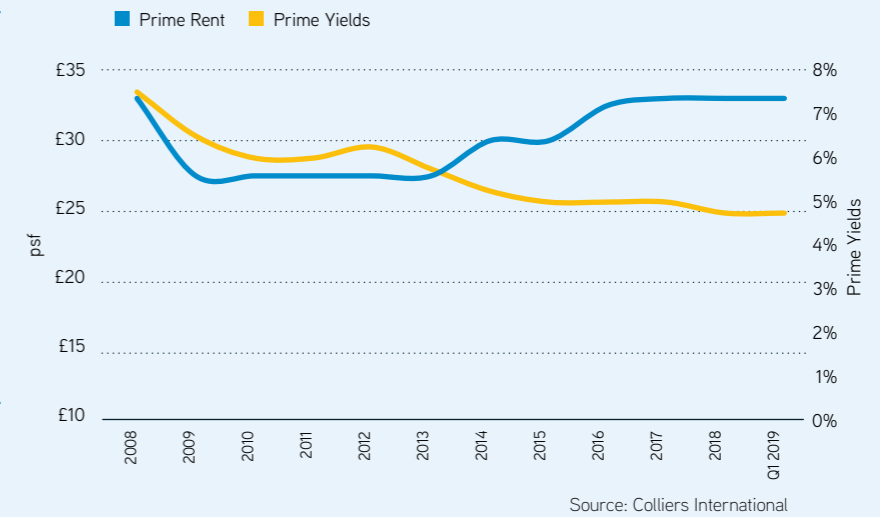
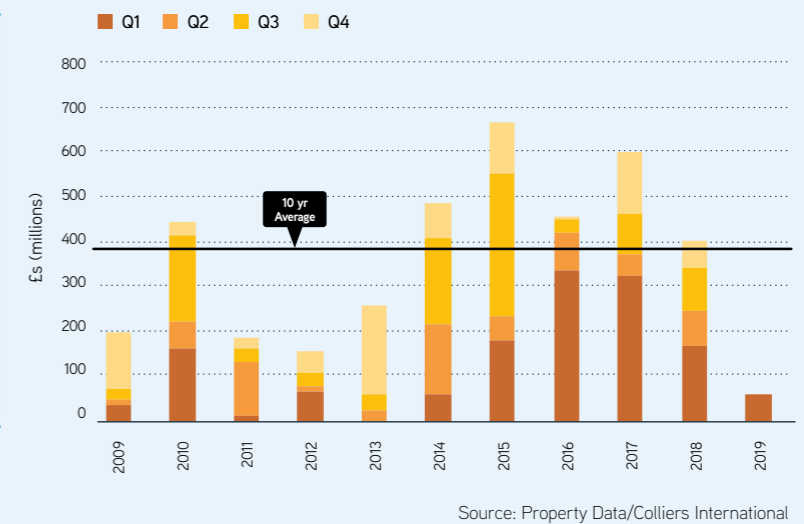


FIGURE 5: BIRMINGHAM OFFICE INVESTMENT VOLUMES



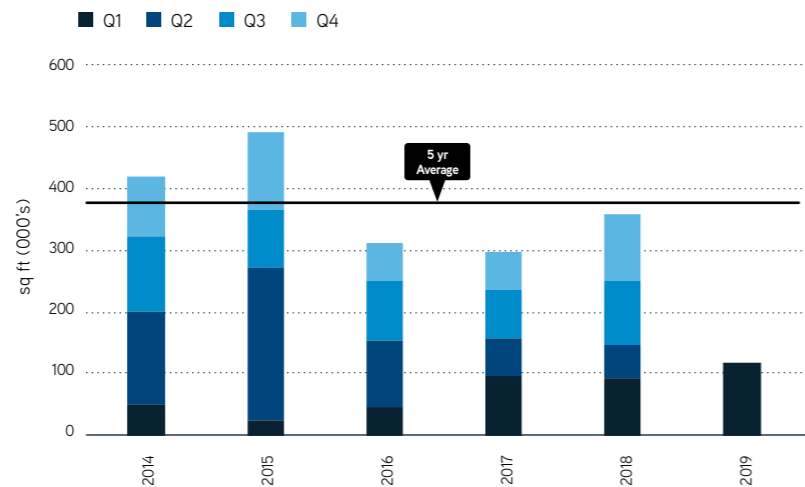
Headline rents anticipated to continue upwards towards £35.00 psf over the next two years and forecast to reach £36.50 psf by 2021



# M42

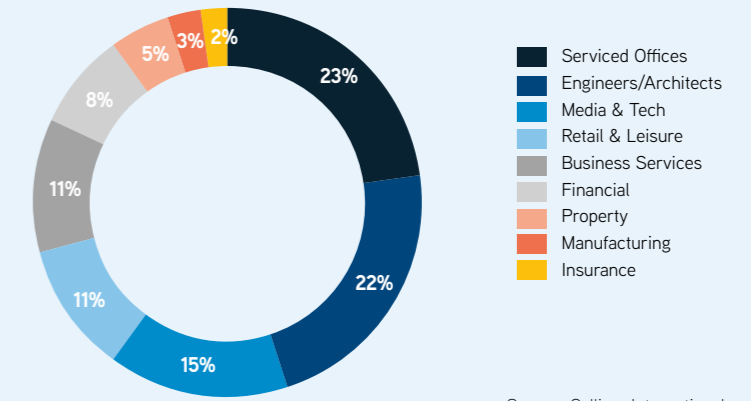
- › Q1 2019 demand in the M42 market saw take-up levels reach an impressive 119,237 sq ft in 14 deals, making leasing activity this quarter its highest Q1 level in five years.
- › There were two deals this quarter above 25,000 sq ft. The largest deal saw serviced office provider MSO take 27,764 sq ft in 2010 The Crescent, Birmingham Business Park. This is the second letting to a serviced office operator in 12 months, after Bizspace took 23,749 sq ft at Zenith in Solihull in Q1 2018. The second largest deal this quarter saw UTC lease 25,820 sq ft in Fore 3, Fore Business Park.
- › The media & technology sector was the most active sector in terms of number of deals with five transactions in Q1. Media & technology occupiers leased a total of 18,310 sq ft, with the average deal size in this sector being 3,662 sq ft.
- › There is no new build space due to complete in the M42 market, albeit there are a few refurbishment schemes are underway and will complete over the course of the year. This will mean the vacancy rate will likely plateau during the rest of 2019.
- › The prime M42 rent currently remains at £25.00 per sq ft, however this is likely to be challenged later in 2019, with the market sentiment of landlords remaining strong.

FIGURE 6: BIRMINGHAM M42 TAKE-UP



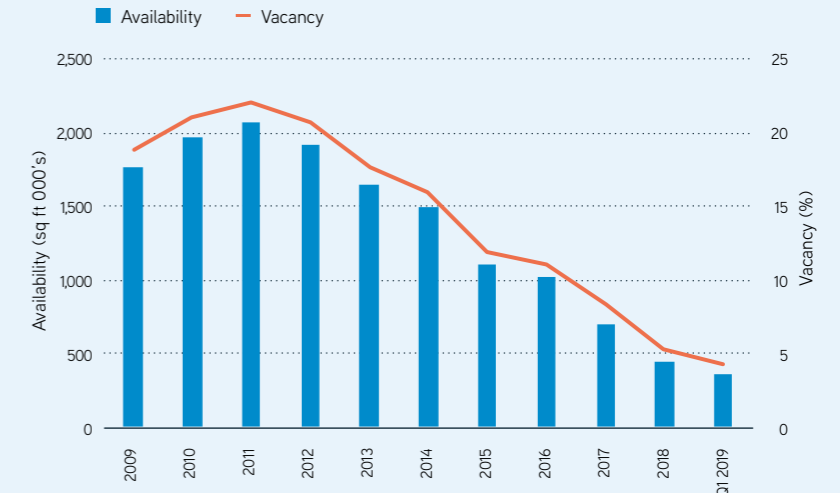
Source: Colliers International

FIGURE 7: BIRMINGHAM Q1 2019 % OF M42 TAKE-UP by Business Sector



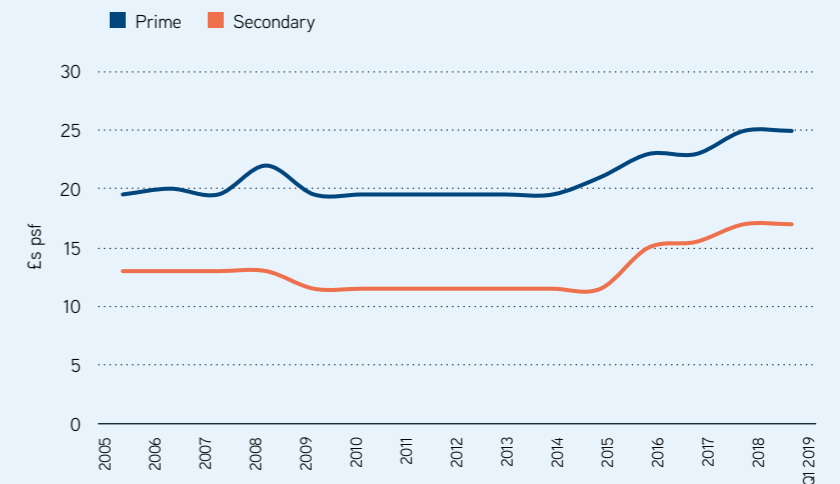
Source: Colliers International

FIGURE 8: BIRMINGHAM M42 AVAILABILITY & VACANCY RATE



Source: Colliers International

FIGURE 9: BIRMINGHAM M42 PRIME RENTS (PSF)



Source: Colliers International

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