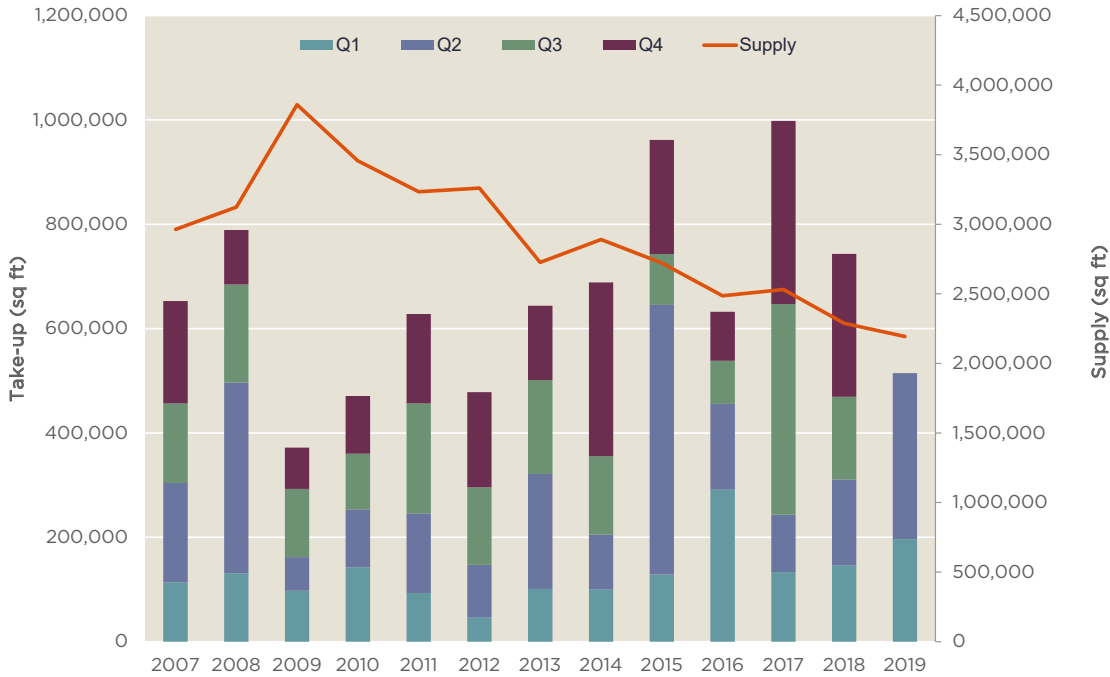


# Birmingham Offices



**Birmingham has seen the highest half-year take-up in the last 10 years.**  
New build stock is at an all-time low.



Source Savills Research

## Record H1 take-up was underpinned by the serviced office sector

It's been an exceptional first half of the year for the Birmingham office market, with the City seeing the highest first-half take-up in the last 10 years, with an increase of 66% on the same point in 2018 and 38% up on the first-half five-year average.

During the first half of 2019, take-up in Birmingham CBD reached 514,609 sq ft with a definite bias towards top quality space, with 424,565 of this being Grade A standard. Also, 29% (122,420 sq ft) was Prime Grade A – the highest standard office space in Birmingham city centre.

A variety of business sectors have taken space so far this year with significant activity from Serviced Offices (45%), Business and Consumer Services (16%) and Professional Services (12%).

Total availability in Birmingham city centre is 2.2 million sq ft, a 4% decrease since the end of 2018. Prime Grade A availability currently sits at only 30,000 sq ft, however, with the addition of Three Snowhill, which is due to reach practical completion during Q4 2019, prime Grade

A availability in Birmingham will increase by 420,000 sq ft. However, Birmingham will still only have enough Grade A supply to meet the demand for 1.3 years of average take-up, demonstrating an undersupply in the market.

Prime rent in Birmingham city centre is currently at £33 per sq ft. Savills expects headline rents to be firmly established at, and potentially beyond, £34 per sq ft by the end of 2019.

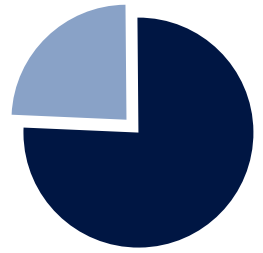
So far this year, Birmingham has seen total commercial investment volumes of £351 million; office space was the most popular sector, accounting for 67%.

After a strong second quarter, in which £186 million of office space was traded, Birmingham's office investment volumes in H1 were £235 million.

Overseas investors have been particularly active with European and Middle Eastern investors accounting for 75% of Birmingham's office investment volumes during the first half of the year. Prime yields currently stand at 4.75%.

### Take-up, supply, rental performance and investment

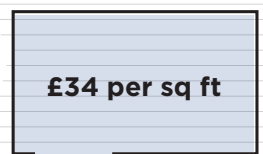
Key data points



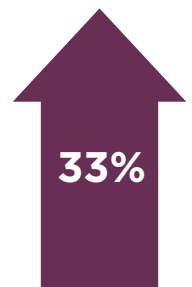
Grade A space accounted for 83% of take-up in the first half of 2019. The highest proportion on record.



Supply fell by 4% from Q4 2018 and is at its lowest level since 2006.



A new record rent of at least £34 is expected by the end of the year.



£235 million of office investment in the first half of the year. 33% up on the 10-year average.

“The shift towards ‘space as a service’ and not just a commodity is possibly the biggest driver of growth for flexible workspace going forward.”

Ben Thacker, Director - Office Agency

# The impact of flexible workspace on the Birmingham office market

In 2017, millennials became the largest generation in the UK workforce. Over the last few years, with the emphasis now on attracting and retaining staff, there has been a huge transformation within the office sector. Real estate is now recognised as a recruitment and productivity tool, with a significant shift towards designing space around the employee, in order to gain and retain the best staff. Today's millennials expect provision of services to help create a community, not just a place to work.

The shift towards 'space as a service' and not just a commodity, is possibly the biggest driver of growth in demand for flexible workplace going forward. Their relaxed and sociable environment enhances the creativity and productivity that helps start-ups succeed. Not only do they ease the sense of isolation felt by many people who work remotely, but they offer easy opportunities for collaboration and innovation.

With this in mind, it is not surprising that serviced office take-up in the regional cities increased by 17% throughout 2018 and has already exceeded 2018 levels by 10% in the first half of 2019. It has now become a crucial component of the Birmingham office market, with the sector dominating take-up during the first half of 2019, accounting for 229,042 sq

ft. This represents 45% of total take-up, up from a mere 3% in 2015. The main driver of this was WeWork who completed three deals in Birmingham city centre during Q2 2019 at 6 Brindleyplace, Louisa Ryland House and 55 Colmore Row.

Unsurprisingly, landlords are now starting to question the impact this emerging sector will have on the traditional office market. To date, Savills have not seen a serious impact on deal numbers in the sub 5,000 sq ft bracket since co-working took off in Birmingham. Like 2018, the first half of 2019 has been driven by a high proportion of smaller deals. Deals under 3,000 sq ft accounted for 24% of take-up, above the five-year average of 20%. However, London deals in the same bracket have halved since co-working took off, so we expect to see an impact in Birmingham over the next 12 months. However, by considering certain things when letting space, landlords can help lessen the impact on their smaller floor plate buildings. This could include providing an element of fit-out, meeting spaces and cafés. They may consider organising events to build a community within their building which would lead to networking opportunities and help their tenants to attract and retain high-quality staff. Landlords may look where possible to simplify the legal process to allow tenants quicker access to buildings and in some instances offer more flexible lease lengths.

Finally, this isn't a one size fits all phenomenon and co-working doesn't work for every type of occupier. There are still plenty of tenants in the market who believe a more conventional occupation of space would benefit, allowing them to create their own culture and identity.



## Key statistics

The table below details key statistics relating to the Birmingham office market

	Data (sq ft)	Year on year change
2019 supply	2.2 m	-4%
Total Grade A supply	755,000	-34%
Prime Grade A supply	30,000	-72%
2019 take-up	514,609	+66%
2019 Grade A take-up	424,565	+123%
Available development pipeline	812,000	0%

Source Savills Research

## Savills team

Please contact us for further information

### Ben Thacker

Director  
Office Agency  
0121 200 4561  
ben.thacker@savills.com

### Nick Williams

Director  
Office Agency  
0121 634 8401  
nwilliams@savills.com

### Ned Jones

Director  
Investment  
0121 634 8415  
yjones@savills.com

### Matt Jenns

Associate Director  
Investment  
0121 634 8447  
mjenns@savills.com

### Clare Bailey

Associate Director  
Commercial Research  
020 7409 8863  
cbailey@savills.com

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