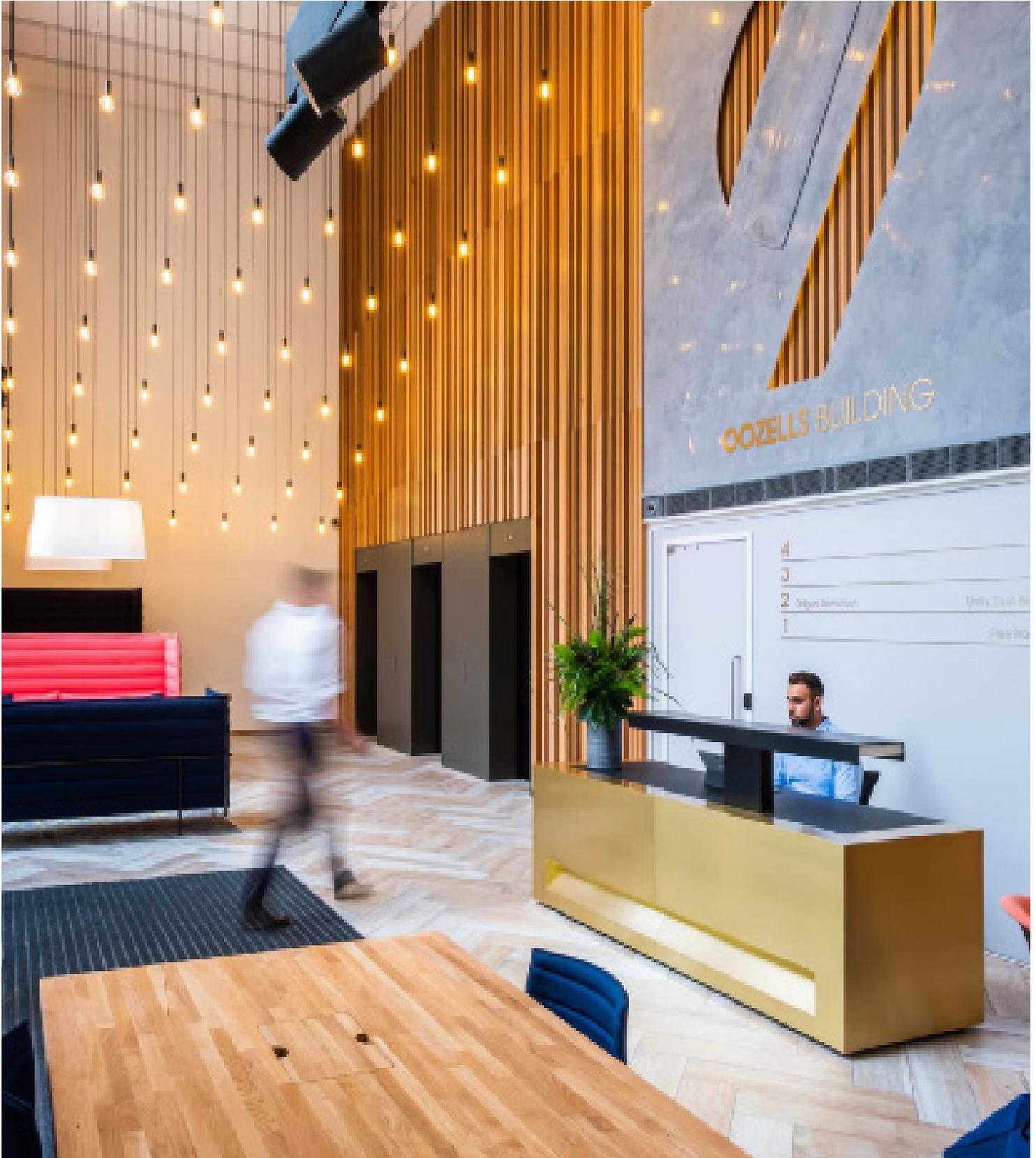
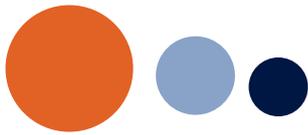


# Birmingham Offices



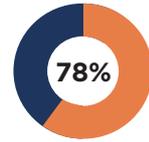


**Top sectors**

Business & Consumer services (42%), Professional (28%), Public services, education & Health (6%)

**£34**

**is the top rent forecasted by the end of 2019**



**Grade A Take-up**

Grade A take-up reached 152,471 sq ft during Q1 2019- accounting for 78% of total office take-up.

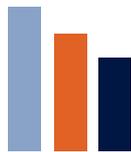
**THE BIRMINGHAM INVESTMENT MARKET OVERVIEW**

During the first quarter of 2019 Birmingham saw total commercial investment volumes of £140 million, Of that £50 million was office investment, accounting for 36%.

UK institutions were the most active investors during the first quarter of 2019, accounting for £29 million (58%) of Birmingham's office investment.

Key office investment deals included the sale of Norfolk House for £20 million reflecting a 7.92% yield and the sale of 2 Brindleyplace for £29.25 million.

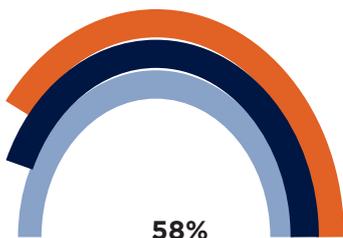
Current prime office yield in Birmingham are at 4.75% having remained stable during 2018.



**Office space accounted for 36% of commercial investment volumes during 2018.**

**4.75%**

**Current Prime Office Yield**



**58% of office investment was from Institutional Investors in Q1 2019.**

**Supply is at its lowest level since our records began.**



Source Savills Research

**Occupational overview**

**The outlook for the Birmingham office market - 2019 and beyond**

**1** Birmingham's office market is one constricted by tight supply. Supply currently stands at 1.9 m sq ft, the lowest on record. However, what really stands out is the severe shortage of Grade A supply.

**2** There has been a 33% decrease in Grade A supply over the last 12-months with only three months' worth of Grade A supply currently available.

**3** At the end of the first quarter 2019 take-up in the Birmingham office market was 194,014 sq ft,

48% above the same period in 2018 and 51% above the long-term quarterly average. There was a bias towards Grade A take-up with 78% being Grade A.

**4** Key deals in the first quarter of 2019 included Irwin Mitchell who leased 46,750 sq ft of prime Grade A space at the Colmore Building and The Commonwealth Games who took 72,261 sq ft of Grade A space at One Brindleyplace.

**5** Although the next two years will see a million sq ft come into the supply

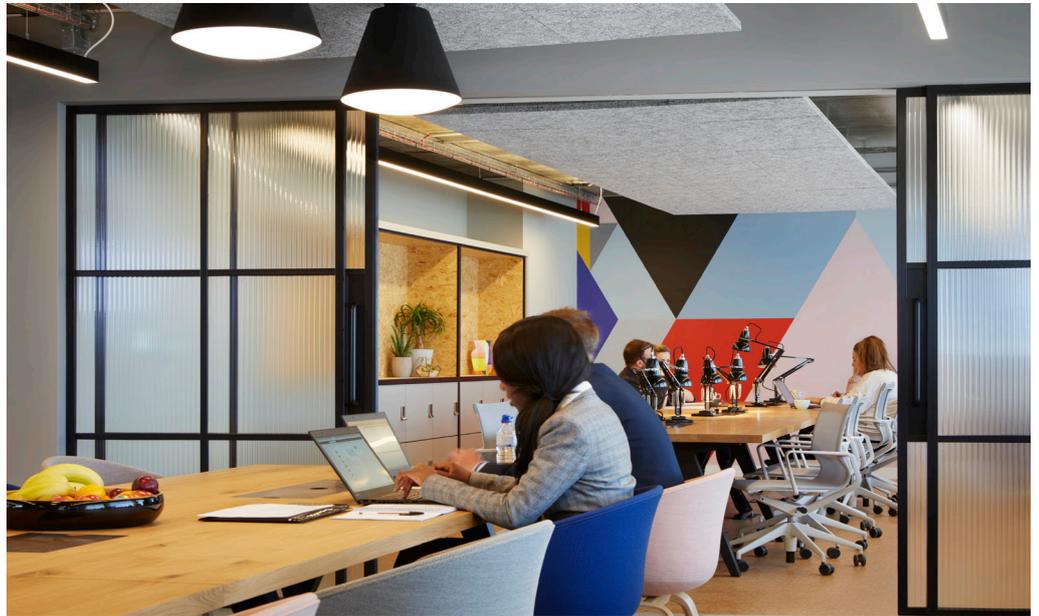
figures between now and 2020, 59% of this space is let prior-to-practical completion. Will 2019 be the year of the pre-let?

**6** During the first quarter of 2019 top rent remained at £33 per sq ft, which was reflected in the Irwin Mitchell letting at the Colmore Building.

**7** However, we expect to see a growth of 3%, as top rents hit £34 per sq ft on new development coming through.

**Will 2019 be the year of the pre-let in the Birmingham office market?**

“The formation of a collaborative energised environment, creating a community of occupiers to cluster, is essential to attracting talent”



## Digital transformation

Birmingham can offer an environment for talent to cluster and thrive.

Birmingham is positioned as one of the fastest growing tech economies in the UK and is one of the UK's major 'digital hubs', with over 6,000 tech firms employing some 38,300 people. Birmingham City University has predicted that the tech and digital sector will grow by a further 14,000 roles across the West Midlands by 2025, from its current 70,000 roles.

The city produces 25,000 graduates a year from its three top class universities and the city retains 49% of these - contributing to a skilled & talented workforce. The high graduate retention rate has resulted in Birmingham having one of the youngest populations in Europe. It also boasts the fastest growing start-up scene outside of London, showing endless opportunities for technology companies. According to the figures from the Centre of Entrepreneurs, 12,108 businesses were started in Birmingham last year.

Not only is there a lot of tech talent in Birmingham, but hiring talent as a business is also easier with less competition from the large London corporations.

However, the majority of existing digital and tech innovation space comprises dated design, low-specification office buildings that have been adapted for purpose. Going forward, it is important to create a sense of place, a defined environment, to provide a platform to develop sociability and collaboration.

It isn't simply about the co-working, it is about the co-location of similar businesses to provide new opportunities for existing and new occupiers. Innovation Birmingham, which was recently acquired

by Bruntwood SciTech, has risen to the challenge and is the UK's largest campus dedicated to digital technology businesses. Innovation Birmingham has traditionally served technology businesses up to circa 2,000 sq ft and has a consistently strong pipeline for start-up businesses and those looking for up to 1,000 sq ft. Proposals are evolving to deliver a new, state of the art technology led facility, providing grow-on space for existing tenants and to also help attract new larger occupiers.

We see the future being a formation of collaborative energised environments creating a community of occupiers to cluster with a digital focus as essential to attracting talent. The city has numerous opportunities to cater for the Fintech, Technology & Media sectors as many of its traditional corporates enhance their digital activities. As far back as 2016, tech companies were looking for more sophisticated space, with Advanced (ACS) securing a large 45,000 sq ft self-contained facility at the Mailbox. Current demand from TMT and digital sector occupiers in the city tend to focus on flexible office space, such as the Custard factory for smaller floorplate requirements or Alpha Tower and Tricorn House for the more 'mid-market' requirement, with Oozells Building, at Brindleyplace also now offering larger floor-plates of modern, well designed space appealing to this growing sector.

Birmingham has the potential to grow into a global home for technology, as the opportunities for technology companies in the city are boundless.

“Birmingham's high graduate retention rate has resulted in the city having one of the youngest populations in Europe”

### Venture capital growth in Birmingham

Early and later stage fundraising, for start-up and scale-up companies, usually involves venture capital (VC) funding. Reviewing the scale of VC is a key indicator of the underlying growth prospects for new and establishing businesses. For Birmingham, during the last three-year period (2016-2018), Savills have analysed companies that have attracted VC and are headquartered or have a 'branch' location in the city. In total, just over a third of a billion pounds has been recorded. This is 88% higher than the preceding three-year period (2013-2015).

Why does this matter for commercial property, specifically offices?

This quantum of VC will create headcount growth as the companies begin to scale in a meaningful way. This higher volume of VC will eventually translate in to office demand in the city. It is also worth noting that 2019 has already seen a significant level of VC. Just the first two months of the year have passed, but the total for January and February is only 8% below the full-year total for 2018.

A deal to note for 2019, is ClearMotion's US\$115m VC investment putting the company's valuation at US\$615m. ClearMotion, which is headquartered in the US, has sites in Birmingham and MIRA Technology Park, Nuneaton. The company is looking to benefit from the proximity to the automotive expertise in the centre of the UK as they are developers of a proactive ride system to improve car driving and riding experience. Savills tracks and records this type of company investment activity and will create an understanding of future real estate need.



### **Savills Commercial**

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team

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