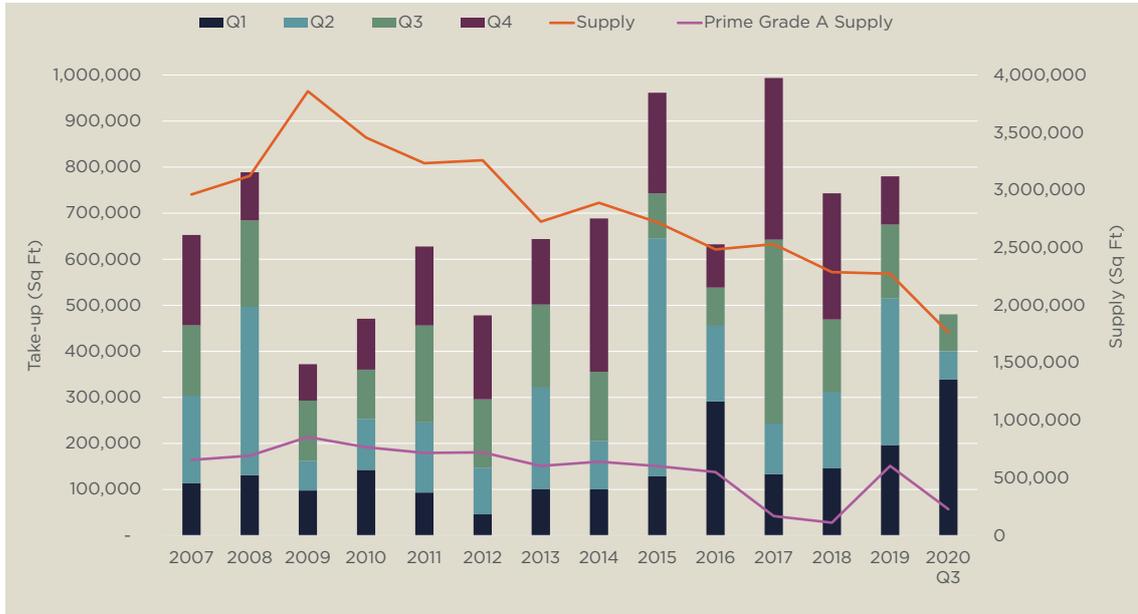


# Birmingham Offices



**Summary:** Take-up is currently 22% down on the average Q1-Q3 level. There has been a continued flight to quality with 89% of take-up in the first three quarters of 2020 being of Grade A standard.



Source Savills Research

## Birmingham city centre office market round-up

Grade A supply has fallen 62% since the end of 2019 with less than six months worth of Grade A supply available

**1** After a strong first quarter, unsurprisingly, the impact of Covid-19 resulted in take-up being significantly reduced in Q2 and Q3. Take-up in Q3 2020 was 79,953 sq ft over 16 transactions resulting in total year-to-date take-up of 480,412 sq ft, 22% below the five-year average level. There has been a continued 'flight to quality' with 89% of take-up in the first three quarters of 2020 being of Grade A standard.

**2** During Q3, there were four transactions of over 10,000 sq ft to occupiers within the legal, financial services and property sectors, making up 65% of total take-up for the quarter. The largest of these lettings was to Knights, a legal firm who took 17,835 sq ft at Two Chamberlain Square, a Grade A scheme at Paradise. This follows on from their acquisitions of two other legal firms who occupied offices on Great Charles Street - the new offices will house all three teams.

**3** This clear flight to quality is further confirmed by the Mazars letting during Q3, of 11,728 sq ft on the first floor of the same building, which enabled them to accommodate their required growth, while taking advantage of new build opportunities.

**4** Birmingham's supply dynamic remains favourable despite the Covid-19 pandemic, with low levels of immediately available space and a limited pipeline of new schemes coming forward. At the end of Q3 2020, total availability in Birmingham city centre sat at 1.8 million sq ft, having reduced by 22% since the end of 2019. Grade A supply has fallen by 62% and now sits at just 229,000 sq ft.

**5** Despite the impact of Covid-19 the continued 'flight to quality' has meant that there has been no evidence of downward pressure on Grade A rents so far this year. Although Q3 saw one deal of £37 per sq ft achieved at Two

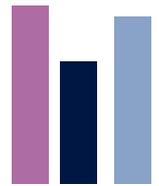
Chamberlain Square on the deal to Knights in Q3, Savills believe the tone for Grade A rents in Birmingham are currently holding at around £34.50 per sq ft,

**6** After a subdued first half, in which just £5 million of office space was traded, two key deals in Q3, pushed volumes to £211.39 million in quarter three, making the year to date 10% down on the same time in 2019.

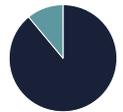
**7** The majority of investors remain relatively risk-averse, focussing on acquiring prime, well-secured assets displaying strong property fundamentals. A great example is Union's acquisition of 55 Colmore Row for £105m (4.85%).

### Key data points

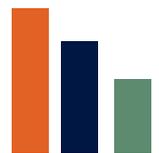
from the first three quarters of 2020



**480,000 sq ft**  
Q1-Q3 take-up in Birmingham city centre



**89%**  
Share of Q1-Q3 take-up that was for Grade A space



**-22%**  
Birmingham city centre supply has reduced by 22% since the end of 2019



**£34.50 psf**  
top rents hold in Q3

👉 There has been a continued flight to quality with 89% of take-up in the first three quarters of 2020 being Grade A standard 👈

# Creating clusters for innovation post-Covid-19

The city is creating a dynamic, young talent pool to support growing tech firms

Birmingham has the fastest-growing economy outside of the South East and East of England, with the city's economy set to grow by 16.9% over the next decade, with total office-based employment growth forecast to be 6.5% over the next 10 years.

For the last five years, the city has topped the list for the highest number of new UK start-ups outside of London. According to the Centre for Entrepreneurs, this ranks Birmingham as the UK's most entrepreneurial city outside of London and ahead of Manchester, Glasgow, Edinburgh and Leeds.

Digital tech is at the heart of the Birmingham economy and is playing an important role in driving growth, with around 3,000 businesses contributing over £2bn to the city's economy, especially high growth sectors such as edtech, sportstech, medtech, and cybersecurity.

The region has a strong skills base with 89% of companies recruiting from the region's workforce or universities. Birmingham topped Monster's Digital Cities ranking, which reinforces Birmingham's reputation as a world-class, burgeoning hub for tech and digital.

Incubator space is important for the city as they support the earliest stage entrepreneurs and position them on the first rung on the ladder. Scale-up businesses seeking funding often turn to venture capital (VC) firms. They not only provide capital but also strategic assistance, introductions to potential customers, partners, and experienced staff.

Venture capital is key to continue to grow the tech and digital sectors with incubated startups more likely to secure significant financial investment going forward. Organisations such as The Ark, a Birmingham-based investment firm launched last year, are looking to raise up to £150m to inject into start-ups are a key component in growing these businesses within the city.

Birmingham needs to ensure it has the right workspace offering to keep these growing businesses within the city. Typically, after attracting investment, occupiers increase their headcount, leading to future requirements for office space and expanding companies need a place to do great work as they continue to scale-up.

Crucially, Birmingham now has more incubators and accelerator programmes than any other city

outside London with a dynamic, young talent pool to support growing tech firms. These workspaces are providing spaces for digital and tech businesses to support the rapid growth of the sector over the coming years.

The city offers clusters such as Birmingham Innovation Campus, The Custard Factory, Fazeley Studios, Entrepreneurs for the Future (e4f) and Oxygen Accelerator which will all help to attract and keep occupiers in the city. More recently, iSTEAMHouse business incubator opened and are looking to provide space, support and collaboration for a range of start-up businesses.

These types of spaces, will play a vital role in helping put the Birmingham economy back on track following Covid-19, and with the West Midlands being home to one of the largest tech clusters in the UK, with more than 58,000 skilled workers, this puts it in a strong position going forward.

The relatively affordable quality of life, public infrastructure, open spaces, coupled with strong higher education, makes Birmingham a good place for firms and investors to attract and retain highly skilled workers.

## Savills team

Please contact us for further information

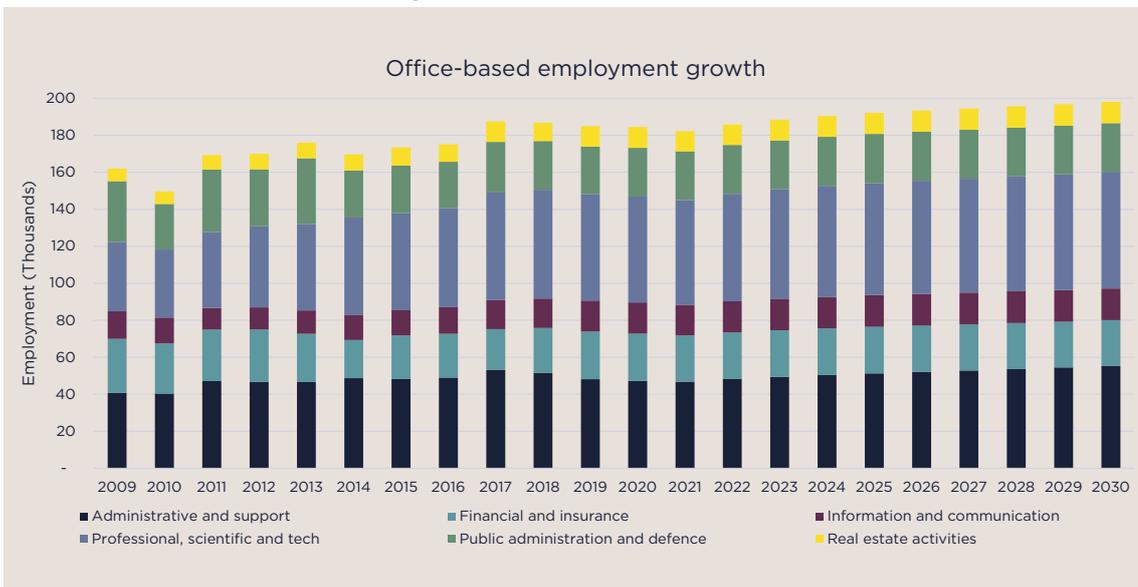
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## Birmingham is forecast to see total office-based employment growth of 6.5% over the next 10 years



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🍷 The region has a strong skills base with 89% of companies recruiting from the region's workforce or universities. 🍷

