

# Market Watch

## Birmingham Offices

February 2018

Birmingham city centre office market take up exceeds one million sq ft in 2017

### Market Snapshot

■ Birmingham city centre take up reached 1,005,000 sq ft during 2017, 51% above the ten year average of 666,000 sq ft which marked a record year. The final quarter of take up in 2017 reached 354,000 sq ft in the city centre (Graph 1).

■ The largest deal in Q4 was Regus signing for 76,000 sq ft at refurbished The Crossway, Great Charles Street (Table 1). Regus also signed for 33,000 sq ft at The Lewis Building during the final quarter.

■ Driven by the Government Property Unit (GPU) deal, public services accounted for 27% of take up in the city centre last year, including the 237,000 sq ft pre-let at Arena Central.

■ Take up from serviced office providers reached 208,000 sq ft during 2017, the highest level on record and this accounted for 21% of the total take up, more than any other regional city.

■ There remains a shortage of Prime Grade A space in Birmingham city centre following a number of large lettings. Prime Grade A space now stands at only 169,000 sq ft, enough for only six months of take up at average levels (Graph 2).

■ Top rents in Birmingham city centre now stand at £33 per sq ft for the best space. This represents a 1.5% increase during 2017 (Graph 3).

■ With sustained office demand, we expect take up to reach 825,000 sq

ft in the city centre during 2018. We forecast top rents to reach £34 per sq ft by end 2018.

■ Whilst Three Snowhill and Two Chamberlain Square are under construction, there is no space set to complete until Q2 2019.

■ Three Snowhill will deliver 420,000 sq ft of much needed Grade A office space on its completion during Q2 2019. Until then, competition among occupiers will further intensify for Grade A space.

■ Office investment in Birmingham reached £462 million during 2017, 16% above the previous 10 year annual average (Graph 4).

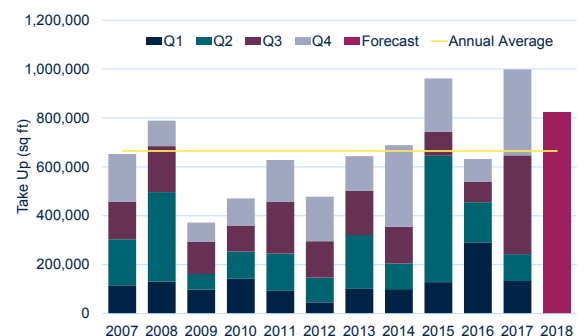
■ Overseas investment acquired £288 million and accounted for 62% of the total investment last year. This was largely driven by the £265 million acquisition of 3,4,5,6 & 9 Brindleyplace during the first quarter.

■ Only £17 million of office transactions took place across three buildings during the final quarter of 2017.

■ Prime office yields remain at 4.75%, in line with the prime regional average. In an income driven environment, prime yields remain attractive against West End (3.25%) and City offices (4%).

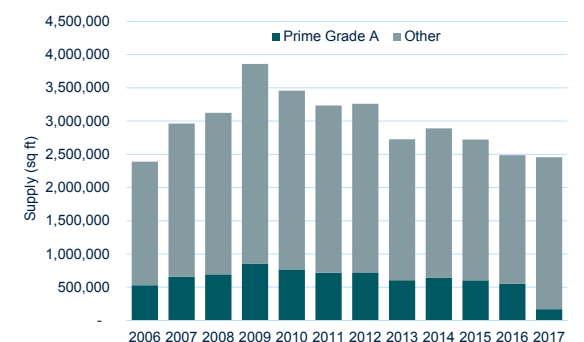
■ We expect yields to hold firm throughout the first half of 2018 as overseas investors become increasingly open to looking outside London to the regional cities. ■

GRAPH 1  
Take-up by quarter



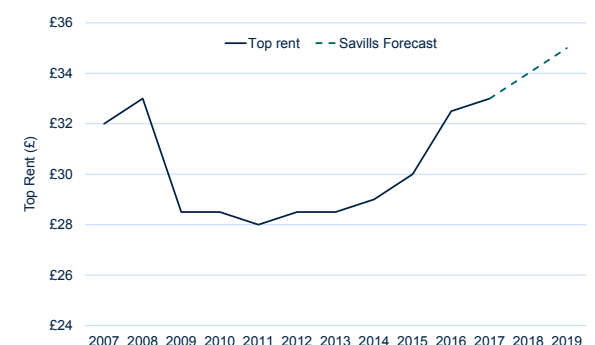
Source: Savills Research

GRAPH 2  
Availability



Source: Savills Research

GRAPH 3  
Top rents

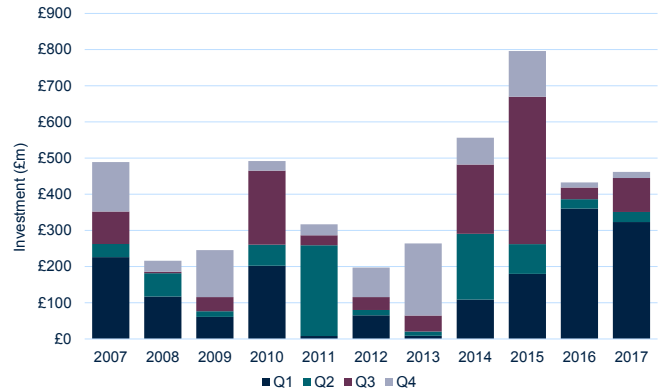


Source: Savills Research



Savills and RICS signed for a combined 48,000 sq ft at 55 Colmore Row (above) during H2 2017.

GRAPH 4 Office investment by quarter



Source: Savills Research, Property Data

TABLE 1 Significant Occupational Deals in Q4 2017

Tenant	Sq ft	Grade	Business Sector	Address
Regus	76,000	A	Serviced Office	The Crossway, Great Charles Street
PWC	58,631	Prime A	Insurance & Financial	One Chamberlain Square
Regus	33,293	A	Serviced Office	The Lewis Building
RICS	30,808	Prime A	Property Services	55 Colmore Row
Willis Towers Watson	11,645	Prime A	Insurance & Financial	The Colmore Building

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