

Market Watch Birmingham Office

June 2017

Brindleyplace acquisition sees first quarter office investment reach £323m

Market Snapshot

■ Take up reached 129,520 sq ft in Birmingham city centre during the first quarter of 2017, 3% above the ten year first quarterly average.

■ The key deal was Arcadis Consulting taking 22,953 sq ft over two floors at Cornerblock, formerly known as Two Cornwall Street, set to complete imminently.

■ The most active business sector during the first quarter was the engineering sector, which accounted for 18% of take up. We expect a number of engineering firms to remain active over the next two years in the wake of HS2.

■ With a shortage of large deals in the first quarter, 49% of deals were in the sub 10,000 sq ft size band, above the long term average of 38%.

■ We expect total take up for the city centre market to reach 750,000 sq ft during 2017, following the large requirement from HMRC.

■ Following the arrival of 55 Colmore Row, total supply saw a 4% increase to 2.6 million sq ft since the end of 2016. 55 Colmore Row currently provides 112,000 sq ft of available space following a comprehensive redevelopment.

■ Prime Grade A availability has increased from 552,000 sq ft to 576,000 sq ft, which is only enough to cater for around 18 months worth of Grade A demand.

■ Top rents stand at £32.50 per sq ft but we expect this to grow beyond the historic headline of £33 per sq ft as prime developments near completion toward the end of 2018.

■ The much anticipated delivery of Three Snowhill (pictured overleaf) will provide further Prime Grade A space on completion in 2019.

■ The first quarter of 2017 saw £323 million of office investment in Birmingham, over three times the 10 year quarterly average.

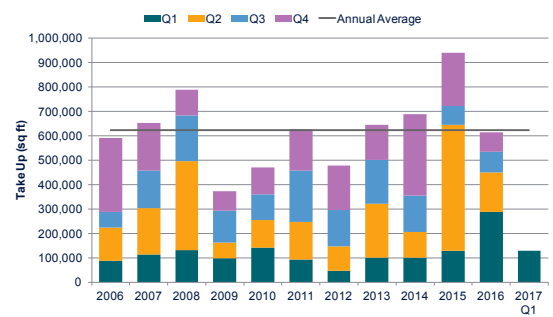
■ This was largely down to HAIL's (HSBC Alternative Investments) record £265 million acquisition of Brindleyplace, reflecting a yield of 6%.

■ Overseas investors remain the dominant investment type in Birmingham, following Alduwaliya's £22.5 million purchase of 111 Edmund Street. With a weak Sterling, regional offices remain attractive to the overseas market.

■ However, the UK institutions have a presence in Birmingham during 2017, following the West Midlands Pension Fund's £26 million purchase of 2 St Phillips Place.

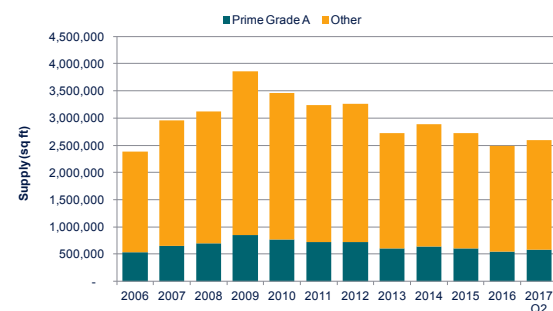
■ Birmingham's prime yields currently stand at 5.25%, in line with the average prime yield across the UK regions. We expect yields to remain stable through 2017, with sustained demand for well let assets. ■

GRAPH 1
Take-up by quarter



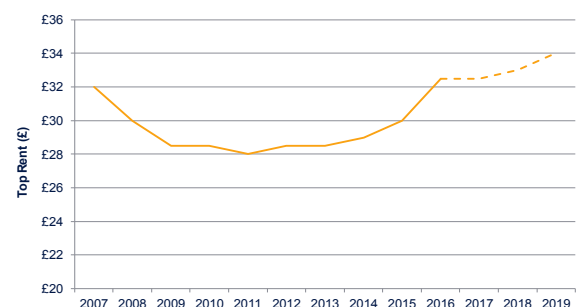
Source: Savills Research

GRAPH 2
Availability



Source: Savills Research

GRAPH 3
Top rents

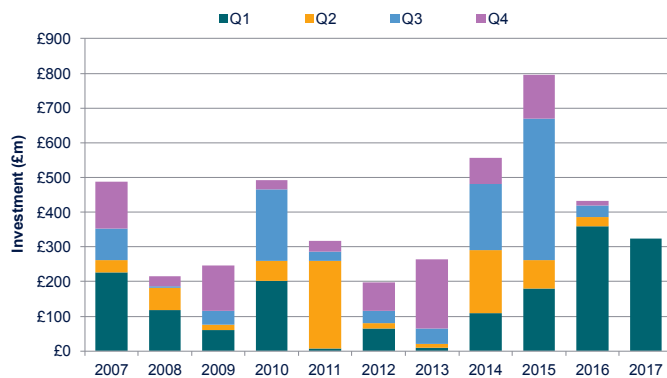


Source: Savills Research



Three Snowhill, above will provide 420,000 sq ft of office space on completion during 2019

GRAPH 4 Office investment by quarter



Source: Savills Research, Property Data

TABLE 1 Significant Deals in Q1 2017

Address	Sq ft	Grade	Business Sector	Tenant
Cornerblock, 1st and 2nd floors	22,953	A	Engineering	Arcadis Consulting
Colmore Gate, 4th floor	18,378	A	Serviced Offices	iHub
Alpha, 20th and 21st floors	14,200	B	Serviced Offices	Alpha Works
10 Temple Street, 4th and 5th floors	10,035	A	Business and Consumer Services	S Three

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