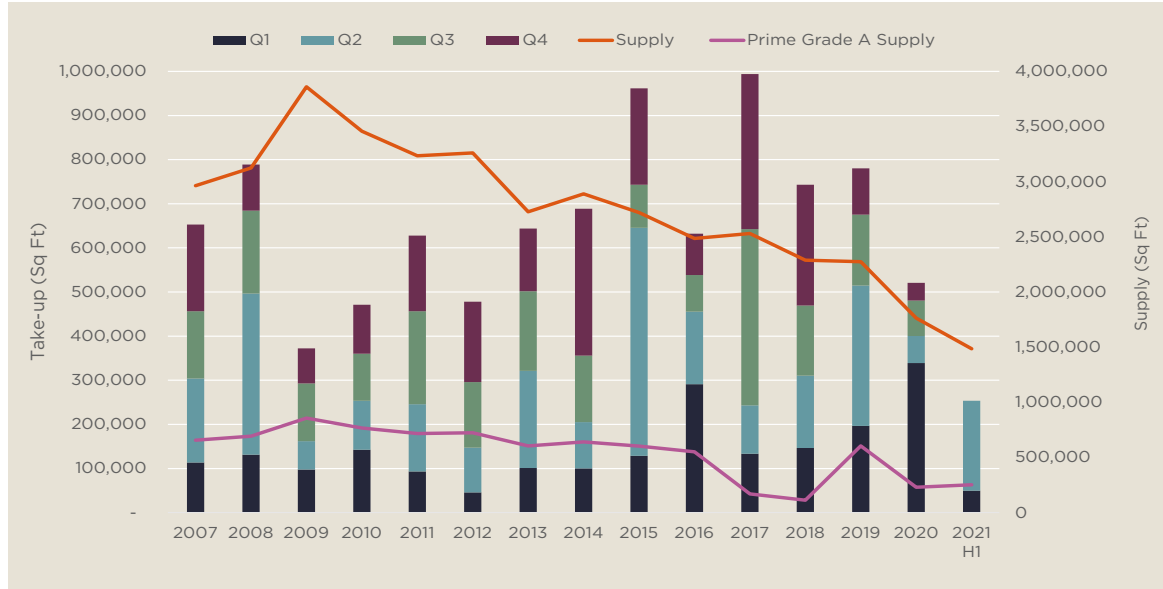


Birmingham Offices



Summary: Take-up in Q2 2021 was the highest take-up since Q1 2020



Source Savills Research

Take-up, supply, rental performance
Key data points



Grade A supply is currently 27% below the five-year annual average

54%

of take-up was Grade A in the first half of 2021 - demonstrating a 'flight to quality' within the market

Birmingham city centre office market round up

Savills expects prime rents in Birmingham city centre will continue to rise, reaching £40 per sq ft over the next three years

1 The rollout of Covid-19 vaccines across the UK has raised hopes that Birmingham city centre will soon be full of office workers – even if that is on a part-time basis. Positive sentiment is starting to filter through to take-up, with take-up in the second quarter of 2021 the highest level since Q1 2020 and up 11% on the five-year quarterly average.

2 Take-up in the first half of 2021 in Birmingham city centre reached 253,336 sq ft over 44 deals, with H1 2021 showing an increase of 110% on the second half of 2020. There is also a growing 'flight to quality' with 54% of H1 take-up being of Grade A quality.

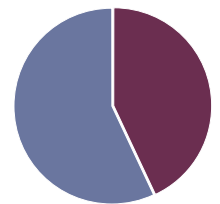
3 Almost a quarter of H1 take-up (24%) came from the Public Services, Education & Health sectors and with IWG taking 50,000 sq ft at the Mailbox in April, the Serviced Office sector also accounted for 20% of take-up. The growth of the BioSciences sector was also evidenced in H1 2021 accounting for 18% of take-up.

4 At the end of Q2 2021, total availability in Birmingham city centre sat at 1.5 million sq ft, reflecting a 34% decrease on the five-year average level.

5 Grade A supply is also significantly below the five-year average level (27%) and totals 252,400 sq ft. With less than a year's prime Grade A supply in the figures, this demonstrates an undersupply of high-

quality space in the market. However, three major schemes are currently on site - 103 Colmore Row, Paradise and 10 Brindleyplace, totalling over 700,000 sq ft, which will help satisfy any pent-up demand as well as help attract occupiers to the city.

6 The top rent in the city centre is currently at £37 per sq ft, where an impressive 7.2% growth was achieved during 2020 - the highest rental growth of the big six office markets. Continued rental growth is expected, potentially reaching £40 per sq ft within the next three years.



Public Services, Education & Health and the Serviced Offices sectors accounted for 44% of take-up in H1 2021

£40 psf

Savills predicts that Birmingham will see rents of £40 per sq ft in the next three years

👉 **Grade A supply is 27% below the five-year average, with less than one year's worth of supply available** 📈

Sustainability is at the forefront of office development in Birmingham city centre

Demand for high-quality sustainable offices continues to grow post-pandemic

Demand for high-quality regional offices has grown significantly over the last decade. With offices now being used as a recruitment tool and a key feature in the race for talent, occupiers want the best space to satisfy their workforce.

The increased public interest in protecting our environment, as well as UK law requiring all companies to reach net zero carbon by 2050, has heightened the demand for sustainable offices. Upgrading to a sustainable office can be seen as an easy 'win' in reducing a company's carbon output, which will become increasingly important as we move closer towards net zero. As such, 'greener' buildings could form a key part of Birmingham City Council's ambition to becoming net zero carbon by 2030.

Quality of office space can play a role in encouraging workers back to the office when the pandemic begins to ease. Employees will require a safer and more desirable workplace than pre-Covid-19. Buildings demonstrating the most sustainable credentials will attract the occupiers (and the investors) they need to benefit from the ongoing flight to environmental quality.

As we emerge out of lockdown, the office will become a place where colleagues connect, having spent so much of the last 18 months working from home. Making buildings healthier and more attractive places to work will support employees return to the office.

Millennials are 81% less likely to move jobs in the next year if their employer focuses on employee wellbeing, according to a recent Gallup-Healthways poll. By designing their offices to promote wellness, businesses can reduce staff turnover.

Roof terraces and an abundance of biophilic design, can provide employees space to take breaks outdoors. And by incorporating plentiful bike racks and shower facilities, employees can commute to work sustainably. Biophilic office design and outdoor amenity space are proven to boost productivity and mental wellbeing as well as helping to attract and retain talent.

Along with achieving an excellent BREEAM rating, 10 Brindleyplace will be the first building in Birmingham to receive Fitwel accreditation. While BREEAM focuses mainly on building infrastructure, Fitwel focuses on health and wellbeing. The building will have large flexible floorplates and an array of wellness amenities and facilities offered. As employers look for ways to attract workers back to the city centre, building offices that offer a better user experience than working from home will become critically important.

Investment in social and cultural infrastructure will become more important. What is important is how workplaces ensure that connection and collaboration is maintained. Development can also come in the form of a collaboration of uses, with an

emphasis on health and wellbeing as well as improved public realm.

Tenants are also reducing their own carbon footprint, with 103 Colmore Row the first building in Birmingham's CBD to connect to the city's fourth district energy system. The new system means there is no need for fossil-fuelled boilers or heating in the building, lowering energy costs, reducing emissions, and improving local air quality, which is reflected in the building's service charge being 12% lower than average. Once built, service charges are forecast to be £5.70 per sq ft (annually indexed) compared to £6.50 per sq ft on traditional buildings.

The bottom line is that by being at the forefront of the climate movement, green buildings will not only attract the investors and the occupiers they need to benefit from the ongoing flight to environmental quality but will also help to encourage workers back to the office when the pandemic begins to ease.

The brand enhancement that comes with putting sustainability at the heart of business will also help companies attract and retain the best talent and clients.



10 Brindleyplace: Birmingham's first building to receive Fitwel accreditation, a standard to measure occupant health and wellbeing.

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