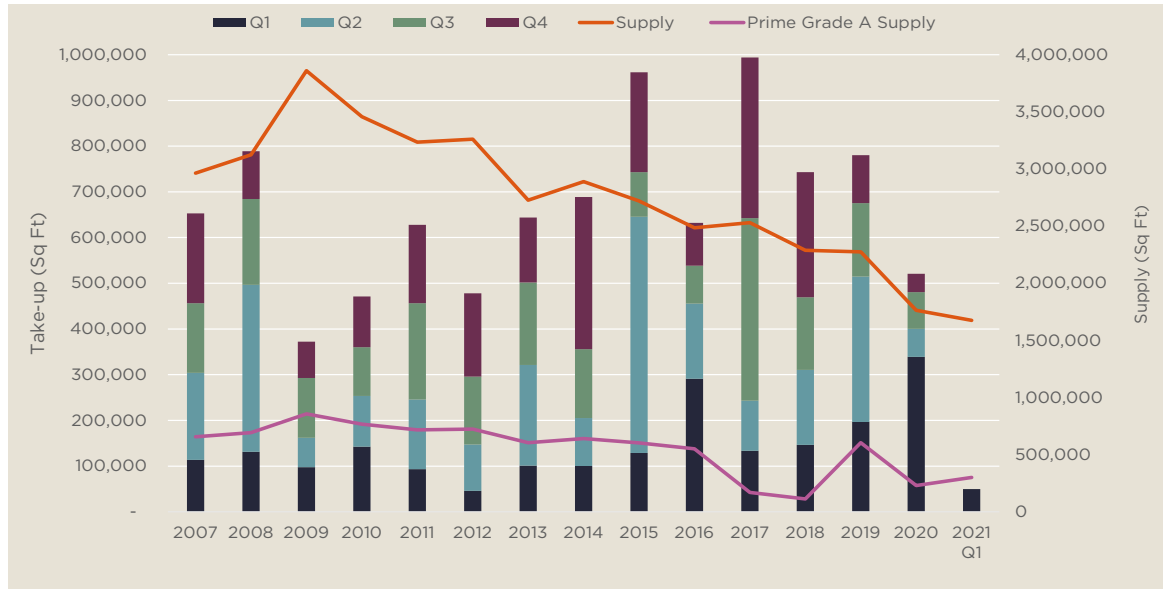


Birmingham Offices



Summary: Take-up in Q1 2021 was 23% up on the previous quarter, while supply remains limited.



Source Savills Research

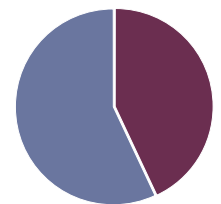
Take-up, supply, rental performance
Key data points



Grade A supply is currently 23% below the five-year annual average

0.7

years of Prime Grade A supply - demonstrating an undersupply of high-quality office space within the city.



Public Services, Education & Health accounted for 43% of take-up in Q1 2021

£40

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

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 Birmingham's local lockdown from September last year, has understandably had an impact on occupiers decision making. During the first quarter of 2021, take-up in Birmingham city centre reached 49,837 sq ft over 19 deals and was 73% below the five-year quarterly average, although Q1 2021 showed an improvement on Q4 2020, exceeding it by 23%.

2 Encouragingly, with optimism among the chief financial officers (CFOs) rising to the highest level in the 13-year history of the Deloitte CFO Survey, far surpassing previous peaks seen after the global financial crisis and in the wake of the December 2019 general election, it is little surprise requirements in the market are up 16% on the same time in 2020 and at the same level as

they were at the same time in 2019. We expect this pent up demand to translate into take-up as we go through the rest of the year.

3 At the end of Q1 2021, total availability in Birmingham city centre sat at 1.7 million sq ft, reflecting a 25% decrease from the five-year average level.

4 Grade A supply is also significantly below the five-year average level (23%) and totals 300,998 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 Ten Brindleyplace totalling over 700,000 sq ft. These schemes are offering the very best in

employee wellness and sustainability and this will help to satisfy the rising demand from occupiers who are seeking the very best quality space - enabling the city to continue to accommodate further inward investment and pent up demand within the city.

5 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.

6 This rent was achieved at Two Chamberlain Square on a deal to knights who have signed up for 18,000 sq ft where it will base up to 160 employees. Continued rental growth is expected, potentially reaching £40 per sq ft within the next three years.

“Grade A supply is 23% below the five-year average, with less than one year's worth of supply available.”

Location, location, relocation

There is a strong case for a resurgence of northshoring in Birmingham post-Covid-19

The role that UK cities play in both the national and global economy is changing post-Covid. So, while London is still one of Europe's economic powerhouses, it is by no means the only hub of opportunity in the UK.

Northshoring' is back on the agenda, and the government is leading the way with the adoption of truly inclusive regional environments in open and modern workplaces.

With HMRC's 13 regional sites confirmed, the Cabinet Office has now outlined plans to move thousands more public sector jobs, including senior roles, out of London by 2030. The move will result in a further 20 government hubs in the regions by the end of this parliament in 2022, with Birmingham a key player in these relocations.

Ministers also announced in March that the Department for Transport was to open offices in Birmingham and Leeds, with more than 100 roles created in Birmingham so far. The Department for Business, Energy and Industrial Strategy (BEIS) also announced it was creating 175 roles in the city - they come on top of 150 BEIS positions already based in Birmingham, bringing the total to 325.

Banking on Birmingham

It isn't just the public sector which is making the move. Goldman Sachs has become the latest corporate to relocate staff to Birmingham following HSBC, PwC and Deutsche Bank, which have all set up bases in the West Midlands. The bank will initially be a technology hub, creating hundreds of jobs and set to open by the end of the year. Although more divisions will move to Birmingham over time, with staff numbers eventually reaching "several hundred". It will support the government's efforts to put economic performance and wealth creation across the UK on a par with London and the South East.

Collaboration and culture

We anticipate that the pandemic will accelerate the flight to quality, with offices that can facilitate collaboration, creativity and community in highest demand. Matt Hammond, the Midlands' head of PwC, calls this the 'work home': a location as much about culture, learning and connectivity as it is about productive output.

While we expect there will be fewer people travelling to city centre offices each day, those that do will have a greater number of interactions, making

those offices even more important to those occupiers and to Birmingham's economy. Birmingham's labour pool, multiple universities supplying graduates, and its tech sector as key draws are factors Goldman Sachs also cited for the move.

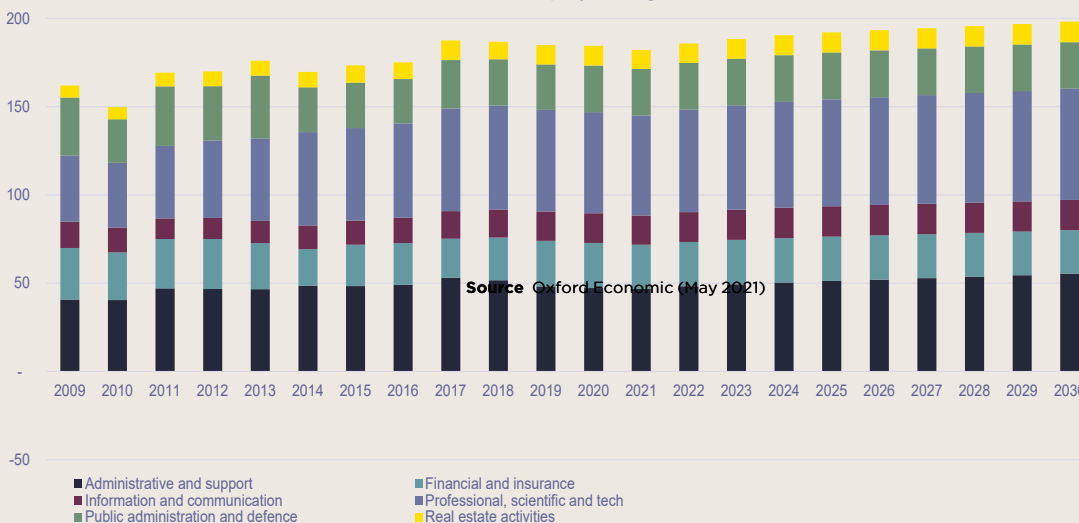
Although businesses often cite a lack of skilled workers as a barrier to growth, 'northshoring' actually offers an opportunity to tap into a less saturated pool of talent. HSBC moved its retail arm from London to Birmingham at the start of 2018, with 88 per cent of its 2,000 jobs filled three months before the move.

There are a number of other drivers in Birmingham's favour. The cost of living is cheaper than many other major cities, its centre has become more appealing in recent decades and travel times to London are short. HS2 will cut this further to just 45 minutes, down from 82 minutes currently.

With the most recent Deloitte survey highlighting that the expectation among CFOs is that the UK will be heading back to work over the summer, Birmingham is in a key position to capitalise on this and attract people to all the city has to offer.

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

Office based employment growth



Source Oxford Economics

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As well as a vote of confidence for Birmingham, Goldman Sachs' move underlines the bank's commitment to returning to the office.