RESEARCH & FORECASTING UK

BIRMINGHAM SNAPSHOT

Colliers INTERNATIONAL

BIRMINGHAM

ALL GRADE ABSORPTION	↑
GRADE A ABSORPTION	↑
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→

CITY CORE

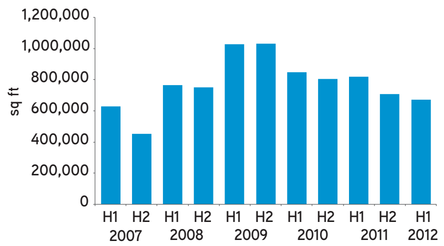
ALL GRADE ABSORPTION	↑
GRADE A ABSORPTION	↑
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→

"We expect the bulk of take-up to come in the latter part of the year as deals currently in negotiation are finally concluded."

Overview

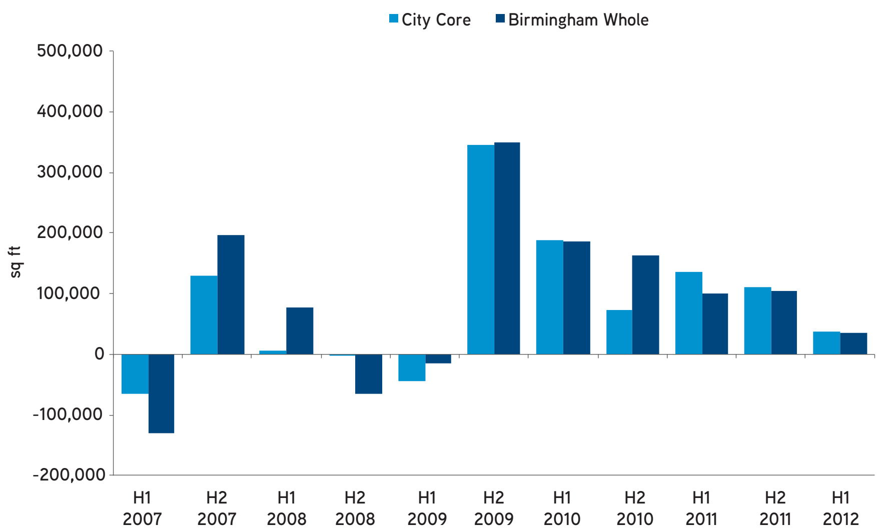
- Take-up in Birmingham in H1 2012 has been below average, although Q2 transaction levels showed a marked improvement over Q1 of more than 70% quarter on quarter. Deal negotiations remain protracted and at the mercy of boardroom decision-making. Nevertheless, requirements are being revived. Microsoft is out again looking for 40,000 sq ft and Allianz (15,000 sq ft) and Capita (10,000 sq ft) have new searches.
- The exceptionally limited number of development opportunities set to come to market over the next three years will help accelerate absorption of Grade A offering during the second half of 2012 and into 2013. While Birmingham does have a number of major projects proposed these remain longer term pipeline opportunities.
- City core Grade A availability has continued its downward trend (see **Figure 1**), as much due to absence of new supply as to any significant uplift in transactions levels. While Q1 take-up of Grade A space in the city core was extremely modest, Q2 has seen a significant improvement, rising from just 3,900 sq ft in Q1 2012 to 24,319 sq ft in Q2.
- The increase in Grade A take-up was enough to ensure that positive absorption of Grade A space continued, not just in the core, but across Birmingham as a whole (see **Figure 2**). With key deals expected to complete in H2 2012 we anticipate Grade A absorption seeing a sharp upward improvement.
- Prime rents remain at £27.50 psf. There is no expectation of significant uplift in city core headline rents during the course of 2012 (see **Figure 5**). Incentive packages continue to enable prime rents to remain at current levels with net effective rents at least 20% below headline figures. We still anticipate upward movement from late 2013 onwards. **Figure 5** shows the 2014 forecast which projects headline rents reaching £31 psf.

FIGURE 1: CITY CORE GRADE A AVAILABILITY



Source: Colliers International

FIGURE 2: BIRMINGHAM GRADE A NET STOCK ABSORPTION BY LOCATION

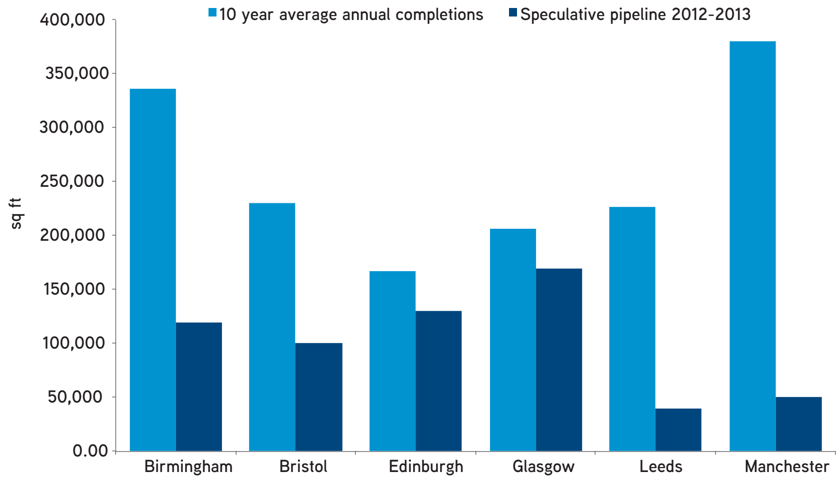


Source: Colliers International

Occupier Markets

- Average 10-year completions in each of the big six centres can be seen in **Figure 6** below. All six centres are showing shortfalls in terms of delivery of speculative space over the next 18 months with Birmingham and Manchester foremost in that regard. In the case of Birmingham and Manchester, anticipated speculative completions for the remainder of 2012 and for 2013 are set to be 64% and 87% below the 10-year average.
- While transaction levels remain firmly below trend, Birmingham has a number of significant requirements that should commit to space in 2012. These include Microsoft (40,000 sq ft), Shoosmiths (40,000 sq ft) and Mott Macdonald (20,000 sq ft). The Tribunals Service is also rumoured to be under offer at Centre City for 30,000 sq ft. As with other UK regional centres, we expect the bulk of take-up in 2012 to come in the latter part of the year as deals currently in negotiation are finally concluded.

FIGURE 6: UK BIG SIX PIPELINE COMPARISON 2012-2013



Source: Colliers International

FIGURE 7: BIRMINGHAM OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2012	Grade A NSA (sq ft) H1 2012	Take-up (sq ft) H2 2011	Take-up (sq ft) H1 2012
City Core	1,870,217	38,175	254,428	81,985
Edgbaston	514,617	-6,183	26,131	26,695
Eastside	218,658	2,700	30,300	3,800
City Total	**2,735,169**	**34,692**	**355,663**	**120,390**

Source: Colliers International

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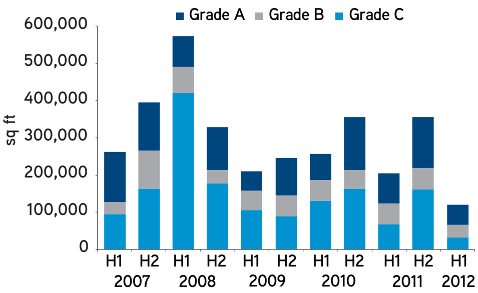
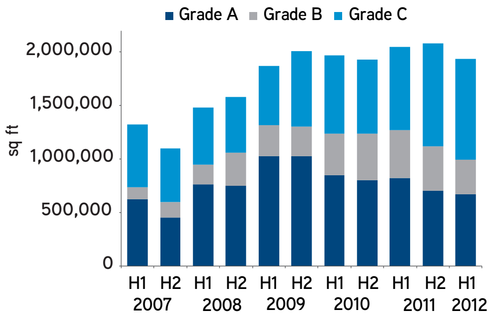
FIGURE 3: BIRMINGHAM TAKE-UP BY GRADE



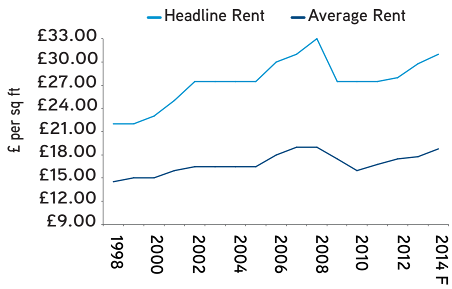
Source: Colliers International

FIGURE 4: CITY CORE AVAILABILITY BY GRADE



Source: Colliers International

FIGURE 5: BIRMINGHAM RENTS & FORECASTS



Source: Colliers International

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