



RESEARCH & FORECASTING UK BIRMINGHAM SNAPSHOT

BIRMINGHAM

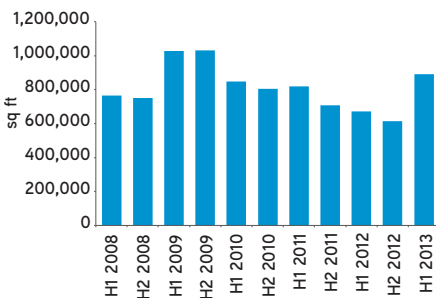
- ALL GRADE ABSORPTION ↓
- GRADE A ABSORPTION ↑
- AVAILABILITY ↑
- TAKE-UP ↑
- RENTS →

CITY CORE

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

“Net effective rents are likely to rise as rent-free periods and incentive packages are reined in by landlords.”

FIGURE 1: CITY CORE GRADE A AVAILABILITY

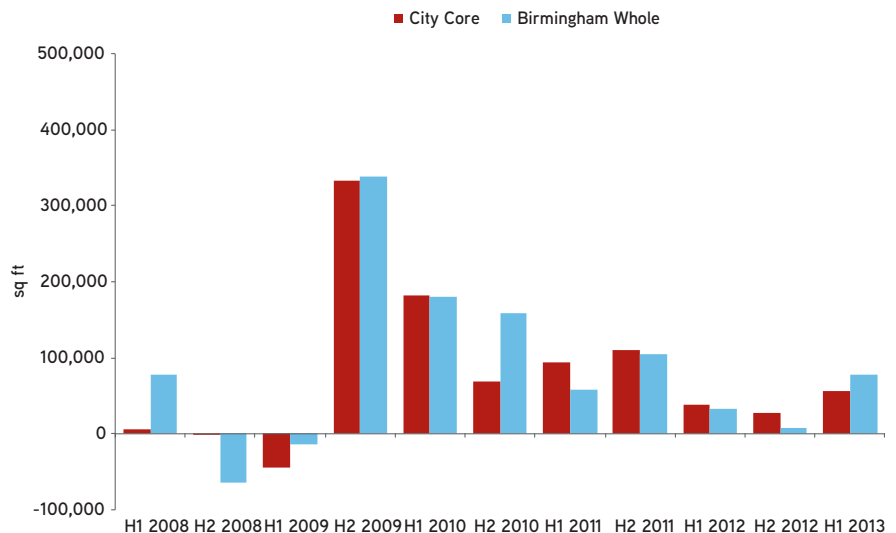


Source: Colliers International

Overview

- Net stock absorption of office space turned negative across Birmingham in H1 2013 but the anticipated completion of a number of deals in advanced stages of negotiation will see the that trend being reversed in H2 2013. Total absorption for all Grades across the entire Birmingham market was -97,357 sq ft, the lowest figure for 12 months. A combination of increasing vacancy of Grade C product coupled with the completion of Two Snow Hill (169,000 sq ft of available space, which includes space set to be released by anchor tenant Wragge & Co) caused uplift in overall availability. In contrast, Grade A absorption remained positive for the eighth half year period in succession, up by 77,447 sq ft.
- Regardless of rising availability, take-up remained robust, marginally up on figures for H2 2012 at 336,937 sq ft. The key deal of the period was the pre-let of 134,000 sq ft to an unnamed tenant at 5 Brindleyplace. We expect end of year take-up to come back in line with the 10 year average (680,000 sq ft).
- With the completion of Two Snow Hill and pre-letting of 5 Brindleyplace, this now means that there is now no speculative office space under construction within the central Birmingham market. Kames Capital and Sterling Property Ventures' 55 Colmore Row is expected to complete mid-2016. The lack of development space set to come to market over the next three years is likely to help accelerate absorption of Grade A offering during H2 2013. While Birmingham does have a number of major pipeline projects, these are all longer term opportunities
- Prime rents currently stand at £27.50 psf. While we expect Grade A availability to fall once more in H2 2013, given the nature of current Grade A supply and shortage of new development product, headline rental growth may be constrained until 2016. However, net effective rents are likely to rise as rent-free periods and incentive packages are reined in by landlords.

FIGURE 2: BIRMINGHAM GRADE A NET STOCK ABSORPTION BY LOCATION

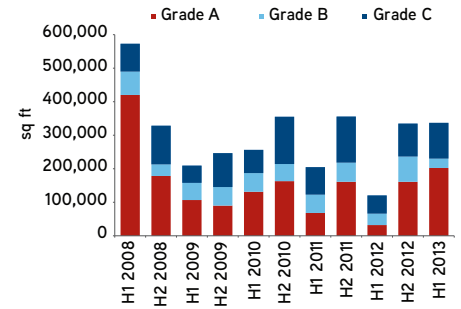


Source: Colliers International

MARKET VIEW

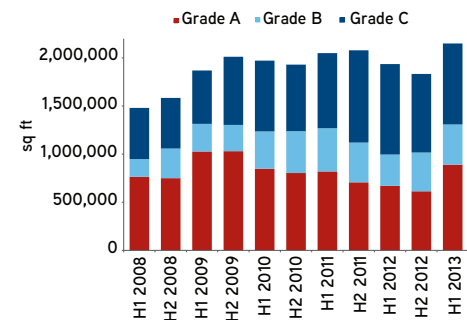
- The outlook for activity in the remainder of 2013 in the Birmingham office market is positive. Q1 take-up showed a 100% increase compared to the equivalent period in 2012 and Q2 figures alone account for 45% of total take-up for the whole of 2012. The relatively low total take-up figure in 2012 was due in large part to the lack of >20,000 sq ft lettings. However, we have already seen this year in Birmingham that bigger deals are more prevalent. The 2012 imbalance in the market has seen a sharp correction in 2013 to date, a trend which will continue throughout the year. 134,000 sq ft has been let at 5 Brindleyplace, DWF has now exchanged on 22,627 sq ft at One Snow Hill and i2 has committed to 20,000 sq ft at Two Snow Hill.
- Occupier appetite for Grade A product, as predicted in previous Birmingham Snapshots, is now accelerating. The larger deals, referenced above, will help to bring total take-up for the year back towards the 10 year average of 680,000 sq ft. Improving market conditions across the UK are helping to raise the profile of regional cities in terms of potential investment strategies. Investment appetite is improving as evidenced by an investor, understood to be making its first foray into property, buying 84 Colmore Row for £11m at a 5.75% yield and £1.2m over the asking price.
- That said, given the shortage of available product that is capable of driving up headline rents over the next two years, in the current scenario we do not anticipate prime rents reaching £30.00 psf before 2016 (see Figure 5). Anticipating healthy absorption rates from H2 2013 onwards, we would certainly expect the differential in terms of pricing between new and second-hand Grade A to be significantly eroded, if as expected, the majority of currently available Grade A product is absorbed by the mid-2014. Current incentive levels suggest up to 36 months rent-free on a 10 year term certain. For best space this figure is set to come in over the next 12 months, assuming good covenants. Equally, delivery of refurbishment space in core locations to satisfy demand will be critical in retaining and attracting inward investment and satisfying indigenous demand. We expect landlords with existing product to focus on reducing voids and raising net effectives.

FIGURE 3: BIRMINGHAM TAKE-UP BY GRADE



Source: Colliers International

FIGURE 4: CITY CORE AVAILABILITY BY GRADE



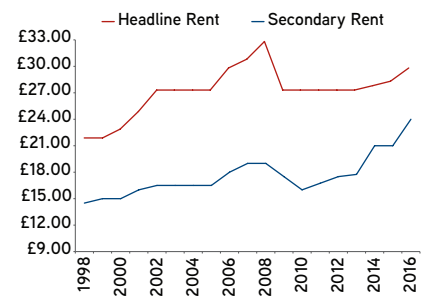
Source: Colliers International

FIGURE 6: BIRMINGHAM OFFICE MARKET SUMMARY

Submarket	Availability (sq ft) H1 2013	Grade A NSA (sq ft) H1 2013	Take-up (sq ft) H2 2012	Take-up (sq ft) H1 2013
City Core	2,149,940	56,165	274,940	280,871
Edgbaston	544,695	2,600	4,185	33,318
Eastside	194,176	18,682	18,214	3,104
City Total	3,004,033	77,447	334,683	336,937

Source: Colliers International

FIGURE 5: BIRMINGHAM RENTS & FORECASTS



Source: Colliers International

For further information, please contact:

OFFICES

Alex Tross
+44 121 265 7539
alex.tross@colliers.com

Richard Roberts
+44 121 265 7559
richard.roberts@colliers.com

Matt Long
+44 121 265 7520
matt.long@colliers.com

Douglas Bonham
+44 121 265 7616
douglas.bonham@colliers.com

RESEARCH AND FORECASTING

Guy Grantham
+44 20 7344 6793
guy.grantham@colliers.com

Disclaimer: This report gives information based primarily on published data which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to the forecasts, figures or conclusions contained in it and they must not be relied on for investment purposes. This report does not constitute and must not be treated as investment advice or an offer to buy or sell property. July 2013 13060

Colliers International is the licensed trading name of Colliers International Property Advisers UK LLP which is a limited liability partnership registered in England and Wales with registered number OC385143. Our registered office is at 50 George Street, London W1U 7GA



Accelerating success.