

7.7%

Vacancy Rate

YoY Chg



12-Mo. Forecast



160,498 sq ft

Take-Up



£39.00 psf

Prime rent



KEY INDICATORS Q4 2021

32.5 M

UK Employment

YoY Chg



12-Mo. Forecast



4.1%

UK Unemployment Rate



0.25%

Interest rate



Source: ONS

ECONOMY: Continued positive growth but interest rates on the rise

The UK economy surpassed its pre-pandemic level for the first time in November. GDP rose by 0.9% during the month, taking the economy to 0.7% above the February 2020 level. This is clearly a positive for the UK real estate market and demonstrates a clear direction of travel, but we should expect weaker data for December once the effects of Omicron are felt. The biggest gain was in the construction sector, which expanded by 3.5%, largely reflecting an easing of the supply issues that have restricted growth for the last two years. The base rate rose for the first time since 2018 in response to rising inflation rates driven by the price of fuel and energy.

The recovery in the labour market continued in the three months to November 2021. The UK employment rate was 75.5%, 0.2% higher than the previous quarter, but still 1.1% below the pre-pandemic level. Forecasts suggest jobs growth in office-using industries will continue through the next 12 months and beyond.

OCCUPIER FOCUS: Tight pipeline and improving take-up continue to support prime rental values

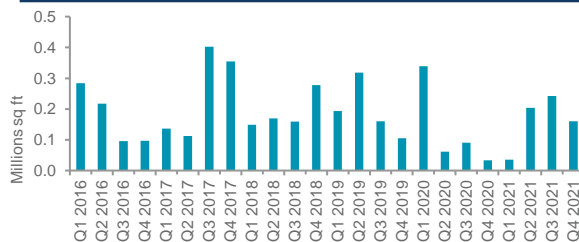
After a particularly strong third quarter, take-up in Q4 2021 fell to 160,498 sq ft although notably this figure is five times higher than the same quarter in 2020. Take-up for the year totalled 642,136 sq ft, 22% higher than last year but 13% below the five-year average. Sentiment is strengthening and there is solid demand for space across all size brackets. The largest transaction of the quarter was Shoosmiths' acquisition of 32,900 sq ft at 103 Colmore Row.

Availability in Birmingham fell in the final quarter to 1.4 m sq ft, a fall of 9.5% from the previous quarter's level, and reflecting a vacancy rate of 7.7%. The supply of new and refurbished space rose by 11.0% over the quarter to 570,000 sq ft. There is around 500,000 sq ft of new and refurbished space under construction speculatively, the majority of which is expected to reach practical completion in 2022. Reflecting the ongoing strong interest in the best space, the prime headline rent rose to £39.00 per sq ft, the highest on record for this market.

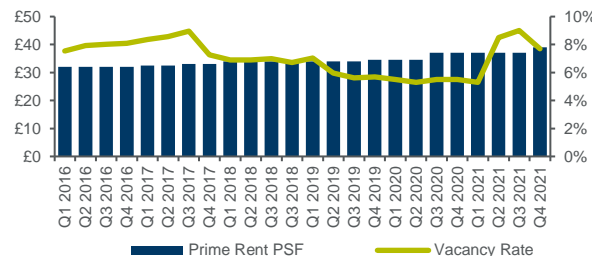
INVESTMENT FOCUS: Continued lack of supply constrains turnover

There were no investment transactions in the final quarter of the year. During 2021, there was £105 m of activity in the Birmingham market, one of the lowest on record. The ongoing lack of stock continued to weigh on activity. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to reflect stock availability. The prime net initial yield remained stable at 4.50%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

BIRMINGHAM	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	17,730,912	17,730,912	17,730,912	17,730,912	18,622,000	5.0%	5.0%
Take-up (Sq ft)	33,928	35,238	203,499	242,901	160,498	-33.9%	373.1%
Supply (Sq ft)	969,944	939,730	1,500,000	1,592,325	1,440,260	-9.5%	48.5%
Vacancy Rate	5.5%	5.3%	8.5%	9.0%	7.7%	-	-
Spec Construction (Sq ft)	254,988	616,268	729,280	729,280	501,280	-31.3%	96.6%
Prime Rent (per sq ft)	£37.00	£37.00	£37.00	£38.00	£39.00	2.6%	5.4%
Investment Turnover (Millions)	£105.10	£8.00	£29.50	£67.50	£7.75	-88.5%	-24.8%
Prime Net Initial Yield	4.75%	4.75%	4.75%	4.50%	4.50%	-	-

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
103 Colmore Row	Birmingham	Shoosmiths	32,900	Lease
2 Colmore Square	Birmingham	Prequin	13,825	Lease
103 Colmore Row	Birmingham	Grant Thornton	12,146	Lease

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KEY DEVELOPMENTS Q4 2021

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
10 Brindley Place	Birmingham	Arena Central Developments	210,000	Q3 2022
1 Centenary Way	Birmingham	Argent & Hermes IM	280,000	Q4 2022
Louisa Ryland House	Birmingham	Euro Properties Investment Ltd	81,280	Q4 2022

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KEY SALES TRANSACTIONS Q4 2021

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
2 Snowhill	Birmingham	M&G / The Hub	TBC	£7.75 m

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