

5.5%
Vacancy Rate

YoY Chg
12-Mo. Forecast

91,151 sq ft
Take-Up

£37.00 psf
Prime rent

KEY INDICATORS
Q3 2020

32.6 M
UK
Employment

4.5%
UK
Unemployment Rate

0.10%
Interest rate

Source: ONS

ECONOMY: Recovery underway but rate of growth uncertain

UK GDP rose by 2.1% month-on-month in August, which represented the fourth consecutive monthly increase. The economy is now well out of recession territory but the recovery has been slowing down, and expectations are for even flatter growth once September's data is released. However, the economy is slowly regaining the initial losses caused by lockdown; GDP for August was estimated to be 9% below its February level compared to 25% below in April.

It would now seem that the recovery will not be as sharp as had previously been thought, particularly given the likelihood of increasing local lockdowns as we move into the fourth quarter. However, the growth forecast for office-based jobs remains stronger than that for total jobs, with some sectors such as technology proving their counter-cyclical credentials.

OCCUPIER FOCUS: Low supply continue to support prime rental values

Take-up in the third quarter rose to 91,151 sq ft, 48% higher than the previous quarter but still well below the five-year quarterly average of 197,000 sq ft. Restrictions related to the ongoing Covid-19 pandemic have continued to limit physical viewings, which we expect to continue until at least the end of the year.

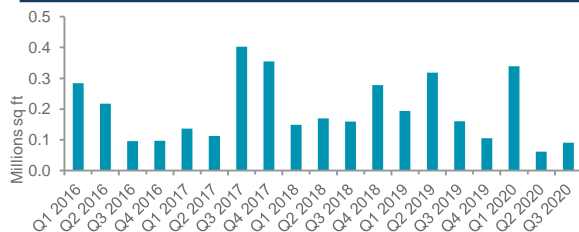
Availability rose slightly to 1.0 m sq ft, reflecting a vacancy rate of 5.5%. Despite this rise, levels remain well below the five-year quarterly average of 1.3 m sq ft. The vacancy rate for new and refurbished space is just 1.2%, well below the levels seen after the global financial crisis when the vacancy rate for this grade of space reached almost 6%. In addition, the development pipeline is particularly thin; there is just 210,000 sq ft of speculative space under construction, the lowest level for more than five years. Reflecting the strong interest in the best space, the prime headline rent rose to £37.00 per sq ft, the highest on record for this market.

INVESTMENT FOCUS: Continued lack of supply constrains turnover

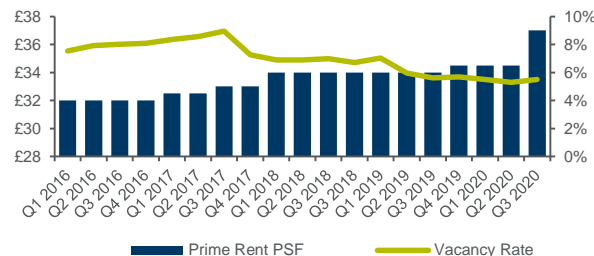
There was one investment transaction in the Birmingham market in the third quarter; Oval RE purchase No 1 Colmore Square for £86.75 m. The ongoing lack of stock continued to weigh on activity. Although investor demand remains strong, driven in part by the particularly tight occupier market, lack of speculative development and turnover will continue to be a reflection of stock availability.

The prime net initial yield remained stable at 4.75%.

TAKE-UP



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

BIRMINGHAM	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	% CHANGE Q-O-Q	% CHANGE Y-O-Y
Stock (Sq ft)	18,095,869	18,095,869	18,270,869	18,270,869	18,270,869	0.0%	0.0%
Take-up (Sq ft)	160,593	104,893	338,985	61,474	91,151	48.3%	-43.2%
Supply (Sq ft)	1,017,012	1,027,610	999,497	961,023	1,008,872	4.6%	-1.2%
Vacancy Rate	5.6%	5.7%	5.5%	5.3%	5.5%	-	-
Spec Construction (Sq ft)	557,000	567,000	396,927	440,000	210,000	-52.3%	-62.3%
Prime Rent (per sq ft)	£34.00	£34.50	£34.50	£34.50	£37.00	7.2%	8.8%
Investment Turnover (Millions)	£96.94	£80.20	£15.00	£5.00	£86.75	-	-10.5%
Prime Net Initial Yield	5.00%	5.00%	4.75%	4.75%	4.75%	-	-

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	MARKET	TENANT	Size (Sq ft)	TYPE
2 Snowhill	Birmingham	Carter Jonas	11,934	Lease
No 1 Colmore Square	Birmingham	Iseran	9,778	Lease
Two Colmore Square	Birmingham	Instant Offices	7,182	Lease

KEY DEVELOPMENTS Q3 2020

PROPERTY	MARKET	DEVELOPER/TENANT	SF	COMPLETION
2 Chamberlain Square, Paradise	Birmingham	Argent & Hermes	97,125	Q2 2021
103 Colmore Row	Birmingham	Sterling PV & Tristan	225,000	Q3 2021
1 Centenary Way, Paradise	Birmingham	Argent & Hermes	256,633	2022

KEY SALES TRANSACTIONS 2020

PROPERTY	MARKET	SELLER / BUYER	SF	PRICE
No 1 Colmore Square	Birmingham	Legal & General / Oval RE	202,633	£86.75 m
111 Broad Street	Birmingham	Daejan Holdings / Taylor Grange	55,114	£15.0 m
Newater House	Birmingham	Newater Investments / Nurton Developments	36,000	£5.0 m

SCOTT RUTHERFORD
Head of National Office Agency

+44 (0) 121 710 5785
scott.rutherford.cushwake.com

PATRICK SCANLON
Head of UK Offices Insight

+44 (0) 203 296 4994
patrick.scanlon@cushwake.com

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