2012 SET TO BE A MIXED YEAR FOR BIRMINGHAM’S OFFICE MARKET
- Out of town office take-up almost 500% higher than H2 2011,
whilst city centre take up fell by 64%-

Whilst Birmingham city centre take-up is likely to fall well short of the 2011 level, the out of town market is set for a bumper year, with H1 2012 take-up already outstripping last year’s level, according to research conducted by BNP Paribas Real Estate, the leading property adviser.

Carole Taylor, head of office agency at BNP Paribas Real Estate’s Birmingham office, comments: “After the city centre’s disappointing start to the year, we do expect take-up levels to improve, with enquiries slowly picking-up and an improving deals market following the recent signing of Birmingham’s first 15,000 and 20,000 sq ft lettings this year. We also expect an increase in Birmingham’s availability level in the second half of 2012.”

At 147,655 sq ft, Birmingham city centre take-up in H1 2012 was down 64% on H2 2011, when it soared to 410,445 sq ft. By contrast, out of town take-up rocketed to 401,620 sq ft, which was almost 500% higher than H2 2011, although this does include the sale of 220,000 sq ft at Wythall Green. Whilst a fall in city centre take-up was anticipated, no one probably anticipated that the level would fall so sharply. This decline reflects the lack of big deals, with the majority of transactional activity falling below 5,000 sq ft.

During the first half of 2012, office investment in Birmingham reached £49.74m, 42% lower than the £86.43m transacted in the first half of 2011. This fall was anticipated due to the recent supply/demand imbalance in the local investment market. Investors are continuing to adopt a targeted strategy, focussing on high quality office stock with secure tenants or buildings with development potential/asset management opportunities – all of which are in short supply in Birmingham.

Inevitably the lack of occupier activity has impacted the city’s availability level, which at the end of H1 2012 remained resolutely high at 2.89m sq ft. The market remains oversupplied in second hand space, with those landlords in possession of long-term vacant office buildings continuing to review alternative uses.
At £27.00 per sq ft, Birmingham’s headline rents have remained unchanged for almost three years, due to a lack of impetus to push this level up because of reduced tenant competition for new space and the city centre’s continued good supply of readily available grade A space. This market dynamic means that favourable incentives remain common place, with tenants now successfully negotiating 12 months rent-free on a five-year lease.

“Looking forward, Birmingham’s headline rents are likely to stay the same and favourable tenant incentives remain a prevalent market feature for some time. Despite the slow start to the year, there is real potential for total 2012 investment sales to match the 2011 level,” concluded Taylor.

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About BNP Paribas Real Estate
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