BIRMINGHAM CITY CENTRE OFFICE TAKE UP TO EXCEED 2012 LEVELS
-Investor appetite increasing but lack of stock holding market back-

Birmingham city centre 2013 take-up levels are set to exceed 2012, according to new research by BNP Paribas Real Estate, the leading property adviser.

Head of Birmingham investment at BNP Paribas Real Estate, Andrew Meikle, said: “In the investment market, the 2013 transactional volume will be down on last year’s level. This reflects the ongoing under supply of high quality office stock for investors to buy. Fierce competition for quality assets will result in further yield compression. Later this year/early 2014, we expect see an increase of investment stock to the market as vendors look to sell assets at more attractive exit price points.”

Total office investment reached only £32m in H1 2013, down 74% on H2 2012 when £121.7m transacted, due to this lack of investor opportunities in the market. As occupational markets have started to recover in Birmingham there has been a growing appetite from overseas investors from Europe, the Middle East and even the Far East. The competition for quality assets has resulted in a discernible shift in yields, which have moved in between 25 and 50 basis points since the start of the year. Whilst prime buildings remain sought after, their short supply means investors continue to look for asset management opportunities elsewhere.

Joanne Warren, associate director within BNP Paribas Real Estate’s research department, adds: “H1 2013 Birmingham city centre take-up reached 336,937 sq ft, which was more than double the 147,654 sq ft achieved in H1 2012. Whilst this makes for good headlines, it is somewhat misleading as the take-up level was boosted by a single deal: Deutsche Bank’s 134,000 sq ft letting of Hines and Moorfield’s newly refurbishment grade A building, 5 Brindleyplace. Ultimately, it is the smaller deals sustaining the market, with 56 of the 59 deals completed in H1 2013 falling below 10,000 sq ft.”

At 2.7m sq ft H1 2013 Birmingham availability was 4% lower than H2 2012 when it reached 2.8m sq ft. Whilst the grade A supply level tightens, the oversupply of poorer quality second hand space remains problematic. Landlords in possession of older office buildings continue to consider alternative building uses. Older office buildings are also being converted to educational use with the sudden demand for new free schools.
“Rents are expected to remain unchanged for the remainder of the year, although they will begin to pick up next year as the grade A supply level tightens and demand levels rise. During H1 2013 Birmingham city centre headline rents have remained unchanged at £27.50 per sq ft. There is a growing confidence in landlord sentiment for grade A space which we expect will convert into a steady reduction in tenant incentives such as rent free periods,” concludes Meikle.

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About BNP Paribas Real Estate

BNP Paribas Real Estate, leading international real estate provider, offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 34 countries with more than 180 offices and 3,300 employees (17 wholly owned subsidiaries and 17 by its Alliance network, that represents today more than 3,000 people).

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