BIRMINGHAM OFFICES SET FOR FURTHER GROWTH IN 2016

- BNP Paribas Real Estate forecasts 8-9% total returns for Birmingham offices in 2016 as dearth of Grade A space pushes prime rents to £32 per sq ft.
- Research finds overseas investment drove Birmingham office investment to £726m in 2015, the highest volume outside of London.

The Birmingham office market is set for another strong year despite concerns over the global economy, BNP Paribas Real Estate said as it unveiled new research at an industry seminar this morning.

The global real estate adviser underlined that Birmingham’s growing economy, ongoing investment in infrastructure and strong demographics meant it was well placed to take advantage of its ‘second city’ status and tempt further large corporate occupiers to follow Deutsche Bank and HSBC in relocating from London.

“With the youngest population of any European city and its relatively low cost of living, Birmingham has become the first stop out of the capital for companies looking to relocate to more ‘cost effective’ areas of the UK,” said Simon Robinson, Head of BNP Paribas Real Estate's Birmingham office.

“With the arrival of HS2 within the next 10 years we believe Birmingham is attracting further attention from large corporates looking for an alternative to London.”

Research published today found that Birmingham office investment topped £726m in 2015, an increase of 49% on 2014 and the highest of any city outside of London. Overseas investors accounted for almost half (46%) of the total investment, up from 12% in 2014 while UK institutions made up a third (32%) of the total, half their 2014 share of 62%.
A surge in take-up led to 1.47m sq ft of deals across the city centre and out of town markets. Take up in Birmingham central reached 970,458 sq ft, up 36% on 2014.

The research was unveiled this morning at BNP Paribas Real Estate’s investment seminar, Capitalise, which was held at its offices on 9 Colmore Row.

Delegates heard that strong occupier demand coupled with pre-let activity had seen Grade A supply evaporate in Birmingham. BNP Paribas Real Estate forecast that these market fundamentals would ensure prime rental growth to £32 per sq ft by the end of 2016.

Andrew Meikle, Head of Birmingham Investment at BNP Paribas Real Estate, said: “The strong occupier market witnessed in the last couple of years, coupled with the dearth of new supply coming to the market, means we anticipate seeing aggressive levels of rental growth moving forward, particularly on prime offices.

“We forecast 8 to 9% total returns on average for Birmingham offices in 2016, driven by both capital and rental growth, but would anticipate even stronger returns on prime product.”

The event also heard from Dan Byles of award-winning technology firm Living PlanIT, currently providing smart technology for Birmingham’s Mailbox development, who addressed the twin challenges of urbanisation and disruptive technologies in the real estate sector.

“Events like BNP Paribas Real Estate’s Capitalise seminars are invaluable for keeping up to date on market trends”, he said. “The impact of disruptive technology on infrastructure and the real estate sector will be significant, and it was a pleasure to have the opportunity to discuss this with regional thought leaders in Birmingham.

“We are close to a tipping point, when the risks of not engaging with technology changes will start to outweigh the perceived risks of doing so. It is called ‘disruptive’ technology for a reason, and organisations that don’t get this risk finding themselves disrupted by those who do.”

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About BNP Paribas Real Estate
BNP Paribas Real Estate, one of the leading international real estate providers, offers 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 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network, that represents today more than 3,200 people).
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