

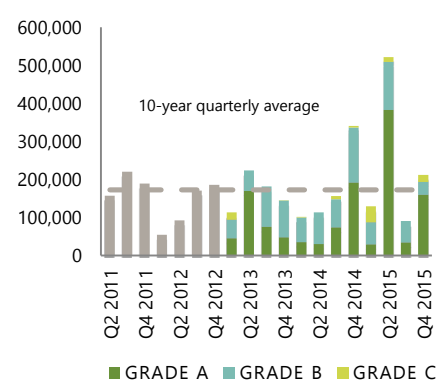
BIRMINGHAM OFFICES

MARKET UPDATE H2 2015

Occupier market

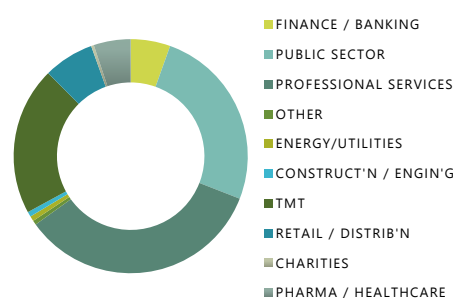
- Following the unprecedented take-up of H1, a total of 329,200 sq ft was let in the second half of 2015, 14% less than the 5-year average for the period. Despite this, total take-up for the year increased to 970,500 sq ft, a 36% increase when compared to 2014 and the highest amount of annual take-up on record.
- The largest transaction of H2 2015 was to trade union UNITE with 56,000 sq ft of space taken at Birmingham Science Park. This was one of three lettings above 20,000 sq ft completed in H2, compared to five in the first half of the year. Aside from the UNITE deal, Advanced Computer Software Group agreed to lease 45,000 sq ft at The Mailbox, with The Brockton Capital and Milligan renovation of the building due to complete in Q1 2016. The other deal in excess of 20,000 sq ft was Somerville House Limited taking 20,100 sq ft at Hagley Road.
- Supported by the Somerville House transaction, the professional services sector accounted for the largest proportion of take-up in H2, 34%. Over the year however, the banking and finance sector was most active, accounting for 27% of transacted space.
- In H2, Grade A availability fell by a further 20% to reach 127,500 sq ft at year end. This meant that on an annual basis, Grade A availability has fallen by 38% since Q4 2014.
- The development pipeline is responding to the decreasing supply with the major refurbishment work at 55 Colmore Row (160,000 sq ft), 2 Cornwall Street (110,000 sq ft) underway. Both are due for completion before the end of 2016. Demolition/Enabling works are also well underway in respect of 103 Colmore Row (208,000 sqft) and Paradise Circus (Phase One - 356,000) both of which will be delivered to the market in 2018.
- Prime rents held firm in H2 at £30.00 per sq ft, meaning that Birmingham recorded an increase of 5% during 2015. Further increases are forecast in 2016 with rents expected to reach £33.50. The rise will be driven by strong occupier demand and newly refurbished space coming to market.

FIGURE 1
City centre take-up by grade (sq ft)



Source: Knight Frank LLP

FIGURE 2
H2 2015 take-up by sector

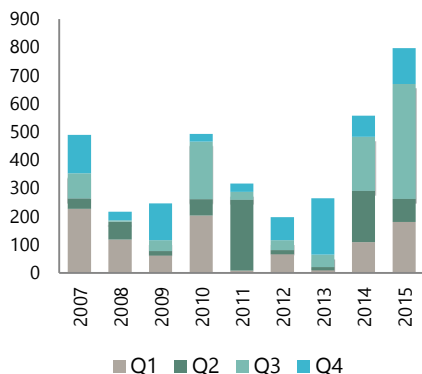


Source: Knight Frank LLP



FIGURE 3

Birmingham offices investment turnover (£m)



Source: Knight Frank LLP, Property Data

Investment market

- Investment turnover doubled in the second half of 2015 with office sales amounting to £534m. As a result, investment volumes for the year reached £796m, the highest annual total on record.
- A total of 18 transactions were completed in H2 2015, a rise from 16 in the first half of the year. Significantly, four transactions above £50m were recorded in H2. These contributed to a total of five above the £50m threshold in 2015, a historic high for the city.
- The purchase of Colmore Plaza for £138m by Ashby Capital LLP was the largest deal of H2 and indeed all of 2015. This is the first acquisition outside of London by Ashby Capital serving to illustrate an increasing investor appetite toward regional opportunities. The sale of 1 Colmore Square to Legal and General (L&G) for £87m was the second largest transaction of H2. This purchase was the third acquisition in Birmingham by part of the L&G group in 2015.
- UK Institutions accounted for the majority of turnover in the second half of 2015, 53%. Significantly, this purchaser type was responsible for three of the four transactions over £50m in H2.
- Prime yields remained unchanged in H2 2015 at 5.00%. This meant that during 2015, prime yields have moved in by 25bps. However, despite the yield compression, levels remain 50 basis points above the market peak of 4.50% recorded in 2007.

Selected investment transactions in H2 2015

Date	Address	Purchaser / Vendor	Price	NIY(%)
Aug-15	Colmore Plaza	Ashby Capital LLP / Carlyle EREP	£138.3m	6.09%
Jul-15	Colmore Square, 1	Legal & General UK PF / Harcourt Life Assurance	£87.3m	4.04%
Jul-15	Birmingham Business Park	BlackRock UK Property / JCAM	£84.8m	7.00%
Jul-15	Fleet Street, 27	LPI Income Property Fund / LaSalle Investment Man	£69.5m	3.94%
Nov-15	Brindleyplace, 1	GLL Real Estate Partners / Trinova Real Estate Spain	£36.7m	5.15%

Source: Knight Frank LLP



Colmore Plaza sold to Ashby Capital



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