

**Deloitte.**  
Real Estate



**Reaching new heights**  
Birmingham Crane Survey

2017



# Contents

|  |    |
|--|----|
| The Report   | 02 |
| Key findings   | 03 |
| Birmingham development snapshot                        | 04 |
| 1. Office  | 05 |
| 2. Hotel, Leisure and Retail                           | 08 |
| 3. Residential   | 10 |
| 4. Student Housing, Education and<br>Health & Research | 12 |
| 5. Outlook   | 13 |
| 6. Development table                                   | 14 |
| 7. Contacts  | 18 |

# The Report



## What?

An annual report that measures the volume of development taking place and the impact on the real estate market. Property types include office, retail, residential, student accommodation, education and hotels.



## Where?

Birmingham city centre encompassing those areas largely within the outer ring road including parts of Eastside, Southside, Digbeth, Jewellery Quarter, Edgbaston and Aston.



## Who?

New and refurbished buildings where a crane was visible subject to minimum sizes as follows:

Offices > 10,000 sq ft

Retail > 10,000 sq ft

Residential > 25 units

Education, leisure and hotels – significant scheme for inclusion.



## When?

The report covers the period January – December 2016. Our research for this report was undertaken during Q4 2016.



## How?

Our in house real estate team in Birmingham have tracked construction schemes across the city. Our field research is then verified with direct industry links and in house property experts.

# Key findings

## Crane Survey results

Surge in development activity with more than **2,300 residential units** being delivered over the next **3 years**



**1.4m sq ft** of new and refurbished office space under construction



Over **1,000** student bedspaces under construction



## Outlook

As HS2 moves closer Birmingham becomes a national hub for rail engineering and associated consultancy excellence



The Financial Services sector goes from strength to strength

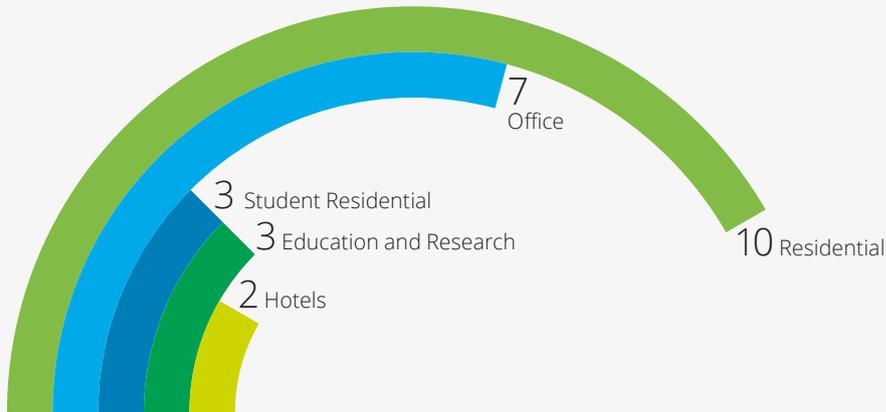


City centre living grows more popular with the Private Rented Sector dominating



# Birmingham development snapshot

Which sectors are the most active? (Number of schemes under construction)



Number of new starts



Office space under construction



1,441,612 sq ft

Residential units under construction



2,388

Student bed spaces under construction



1,166

Hotel beds under construction



508

# 1. Office

## **A record year for Birmingham office construction as the market responds to a shortage of Grade A accommodation in the city centre**

### **Rise in office construction as Birmingham capitalises on regional dominance**

At the time of our survey we identified seven new office construction sites and five major refurbishment schemes with more than 1.4m sq ft of new space being delivered into the market over the next two years. This surge in activity marks a huge step up on last year's record of 969,000 sq ft, setting another new Crane Survey record for office space as the market responds to strong demand and a shortage of quality space available for occupation.

Seven major new office starts were recorded in this survey, matching the highest level seen in our survey history. Developer confidence has been reinforced by growth in financial services businesses, increasing activity stimulated by HS2 and the lack of supply available for immediate occupation. In addition the rising costs of office occupation in central London have benefited Birmingham and attracted a number of 'near-shoring' firms as they seek to relocate staff from London to regionally dominant cities around the UK.

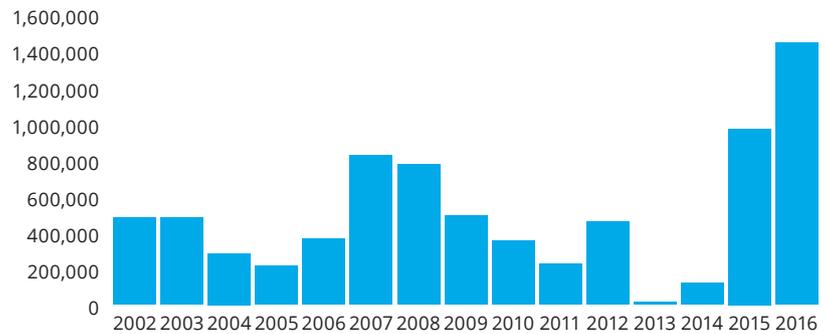
## **City centre office market enters exciting new phase of development**

The well-established and traditional office locations have continued to prove very popular with developers, investors and occupiers alike however, as Birmingham grows and matures there is evidence that the core CBD is stretching in all directions. Improvements in transport links and major infrastructure works have opened up new development opportunities in areas that would have been considered peripheral just a few years back. Several major schemes are well underway creating exciting new neighbourhoods and expanding the city core. At Chamberlain Square, the first phase encompassing 355,000 sq ft of offices is set to be delivered in 2017/18 and the Paradise scheme will eventually comprise a mix of offices, residential and leisure whilst delivering significant public realm improvements and improved city connectivity. Nearby, work is forging ahead continuing on the first stage of Arena Central, the 2.3 million sq ft mixed use scheme, with Two Arena Central, HSBC's new retail banking home, set for completion in 2017. In September, planning permission was granted for One Arena Central. In addition to these two significant schemes, the Colmore District is seeing continued redevelopment.

Following the huge successes of One and Two Snowhill, building work has begun on the final phase of the Snowhill site, with Three Snowhill set to provide over 400,000 sq ft of new offices. Over the past year we have seen the demolition of the old 'Natwest Tower'. At the time of our survey work was about to commence on the construction of a new building comprising 206,000 sq ft of offices. This major development will therefore be included in next year's new start figures.

Major refurbishments are captured in this survey and 55 Colmore Row will deliver a total of 160,000 sq ft of newly renovated space with a large chunk already pre-let. Nearby the Cornerblock development will provide 110,000 sq ft of space close to Snow Hill rail station. Around the city we found evidence of other refurbishments with The Lewis Building, (formerly 35 Bull Street), 10 Temple Street and Aspect Court all featuring this year.

**Birmingham: Total office volume under construction per survey**  
sq ft

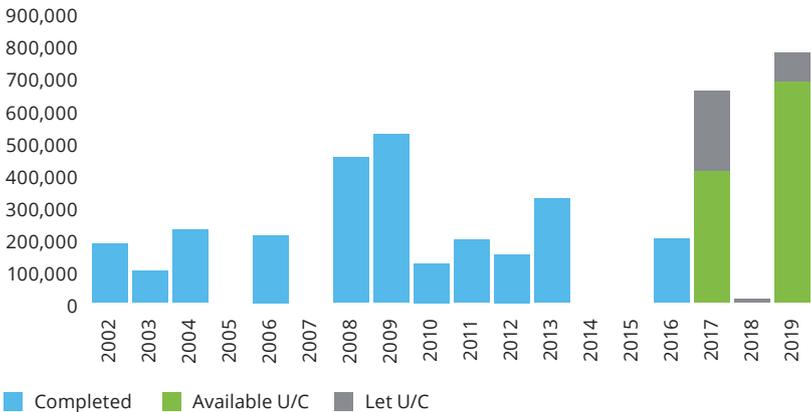


Source: Deloitte Real Estate

**Birmingham office take-up**

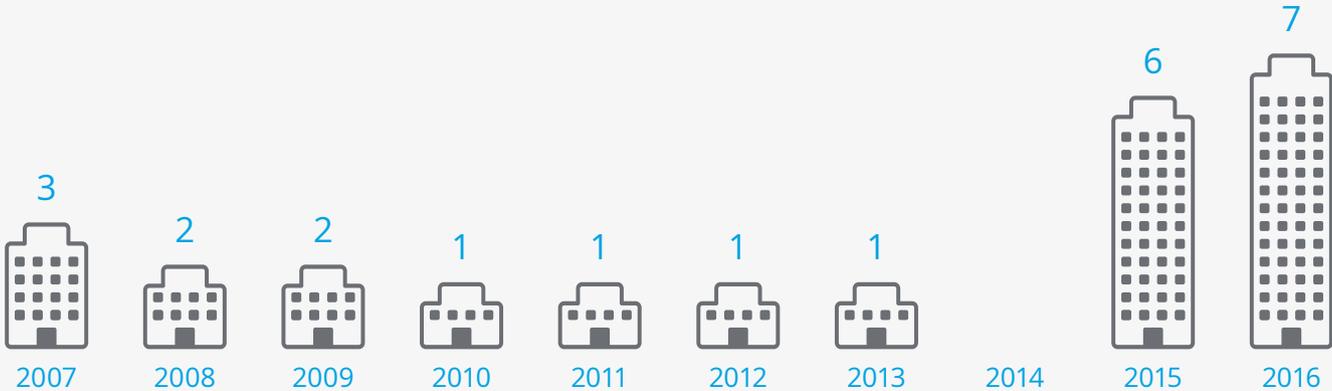
2016 office take up figures recorded by Birmingham Market Office Forum ended up at approximately 693k sq ft over 139 transactions, close to the long term average for the city. The total recorded in Q3 dropped back by about a third compared to Q2, the uncertainty before and after the referendum inevitably impacted the market. However, analysing quarter-by-quarter change often throws up large fluctuations and is of limited use. Whilst some investment decisions may have been delayed or deferred, activity levels appear to have returned to normal within three months of the referendum. Current vacancy rates in the city are estimated to be at around 20%, and most predictions for 2017 are very positive with some forecasting a landmark year ahead.

**Birmingham: Office development pipeline**  
sq ft



Source: Deloitte Real Estate

**Number of new office starts per Crane Survey**



## 2. Hotel, Retail and Leisure

### Hotel

Our previous Crane Survey highlighted a resurgence in hotel development and sustained growth in visitors to the city boosting occupancy rates. Marketing Birmingham estimate that Birmingham currently attracts over 37 million visitors per year.

There are an estimated 6,200 rooms within a 20 minute walk of the ICC and the opening of Park Regis last year boosted this by 253. Our survey in September revealed three active hotel sites including The Grand on Colmore Row which is expected to provide 150 rooms with suites and restaurants. Plans for a 25 storey hotel on the corner of Hill Street and Station Street could potentially add a further 238 rooms and EasyHotel acquired 81-91 John Bright Street for conversion to an 84 bed hotel due to open in Spring 2017. At Arena Central, Holiday Inn Express is on course to open a new 210 bed hotel in 2017 and the Paradise scheme will include a hotel with up to 250 rooms.

**Birmingham: Hotel development pipeline**

No. of rooms



Source: Deloitte Real Estate

## Retail and Leisure

Following the opening of Grand Central in autumn 2015, Birmingham retail has featured heavily in the national headlines over the last year. Estimates put annual expenditure in Birmingham at around £5.5bn and encouragingly Birmingham now tops the table for spending on fashion goods outside London.

City centre floor space is calculated by Promis PMA to be around 3.38m sq ft ranking Birmingham as the number one retail centre by floor space in the UK outside London.

Unsurprisingly there have been no new major retail schemes in the last year although some of the mixed use developments reported in other parts of this report do include an element of retail.

One of the largest transformations of retail in the city centre has involved the conversion of the former Waterstones bookshop on New Street to the Apple store which opened in Autumn 2016. At the time of our survey work was continuing on the conversion of the former Pavilions shopping centre to a new superstore for Primark. The development constitutes approximately 150,000 sq ft and is due to open in 2018. By contrast, the loss of BHS has created a void of approximately 95,000 sq ft although the relocation of Primark may open up the possibility of a major retail redevelopment at City Centre House in the heart of the city.

The relaunch of the Mailbox has seen Harvey Nichols expand alongside a number of other upmarket retailers and restaurants. Looking further ahead the redevelopment of Martineau Galleries is likely to contain less retail than originally planned although as HS2 moves closer it could mean that retail may feature more in plans closer to the station.

## 3. Residential

### City centre residential development is back with a bang

Last year, we reported one new residential start. This year, there have been 10 major new residential schemes started, with residential development certainly back in Birmingham. Between the developments in progress, the total combined number of units provided reaches a total of over 2,300 with considerably more in the pipeline. Birmingham City Council's Big City Plan set out an ambition to ensure the building of over 5,000 new homes in the next 10 years, so this year has been very successful in moving towards that number.

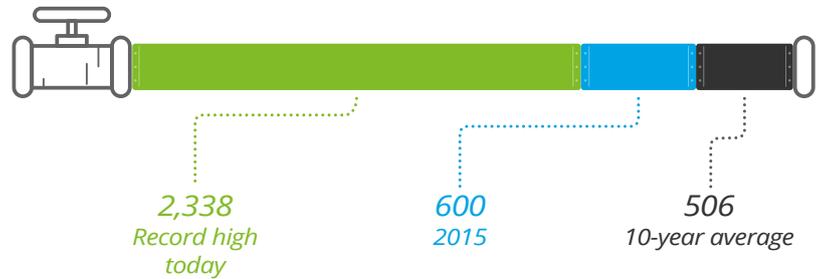
Strong and sustained demand underpins the city centre residential market with both the rental and owner occupier markets continuing to perform well. The city has started to feel the impact from major relocations announced last year supplemented by support businesses keen to service the influx of new business and growing workforces. Workers need homes and many see the benefits of being able to walk to work or at least enjoy a short commute. Developers are again responding to the demand by providing a range of units available for sale and to rent. This uptick in residential construction activity will see a return to levels last seen around 2005/6. The new schemes are spread across central Birmingham, with the city centre, Jewellery Quarter, Digbeth and Edgbaston all experiencing residential development.

### Conditions right for residential development

For several years a large number of potential sites around the city remained undeveloped. For example areas such as Digbeth and Five Ways had been identified as areas suitable for large scale residential development both in terms of new build and conversion. Whilst some developments did take place, the financial crisis and consequent funding difficulties meant that development was suppressed. Conditions improved and the new found confidence in Birmingham has led to a massive increase in residential development.

Seven Capital, has by far the most number of active construction sites. These include Fabrick Square, a former fabric works being converted to 313 units, St Georges Urban Village in the Jewellery Quarter where 603 units will be built over the next three years. No.1 Hagley Road completed in mid 2016 comprising 271 units and with the conversion of the Broadway building and work on the new Landsdowne House Five Ways is set to be transformed. At Sheepcote Street, just off Broad Street, Regal are currently building a new tower with 189 units and Crest Nicholson is mid-way through the construction of 335 at Park Central.

The pipeline for new residential development around the city centre demonstrates developer confidence in the market. With schemes such as Paradise and Arena Central incorporating residential amongst commercial Birmingham should be able to offer a fantastic spread of options for those set on city centre living. In terms of tenure much has been written about the balance between demand from owner occupiers and those looking to rent. PRS schemes are likely to become more popular in the city as investors search for healthier returns than might be found in the South East of the UK and occupiers demand greater flexibility and well specified and serviced apartments.



## 4. Student Housing, Education, Health & Research

### Student housing

The latest Crane Survey results illustrates the continued expansion of the student housing sector in Birmingham with demand for modern, high quality accommodation encouraging investors to commit to the city.

We identified three major developments under construction. Two located near to Aston University and one in the Chinatown area. Between them, they will provide 1,166 new bed-spaces. The student housing development at Goodman's Eastside Locks was completed in September 2016 adding 650 bed-spaces.

### Education facilities

Last year, our Crane Survey reported one education facility under construction at Holland Street. This year we have identified two developments, with the relocation of the Birmingham Conservatoire from its current home at Paradise Circus to Eastside Locks. The £57million new building at Millennium Point will encompass the Birmingham Conservatoire as well as the Birmingham School of Acting and is set for completion in the summer of 2017.

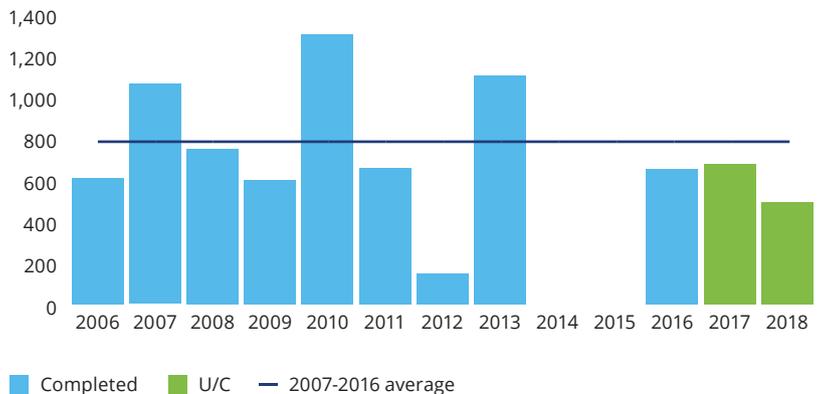
Nearby, the new National College for High Speed Rail is underway close to Birmingham Science Park. The College is on track to start training new students in September 2017.

### Health

Work continues on the new Cancer and Rare Diseases Centre at Birmingham Children's Hospital's. The ground-breaking new facility will be completed in late 2017. Well beyond the boundary of our survey one of the largest health projects in the region continues as the new 670 bed Midland Metropolitan Hospital takes shape at London Street/Heath Street, due to open in October 2018.

### Birmingham: Student housing development pipeline

No. of bedspaces



Source: Deloitte Real Estate

# 5. Outlook

## An exciting new era for Birmingham

Last year marked an important turning point for Birmingham. The city emerged from the long shadows of the financial crisis in fighting form. A blend of several factors combined to help re-inforce Birmingham as the destination of choice for a number of businesses particularly in the financial and professional services market. The city scores well on logistics, culture and heritage, connectivity, diversity, education and value for money. Its appeal has continued to grow and spread across Europe and around the World.

Grand Central made a huge impact nationally as millions flocked to test out the new retail experience and were pleasantly surprised by how Birmingham has evolved and developed. More importantly, people return and have broadcast a positive, and far more upbeat message, than in the decades before. The easy access to an International Airport, the extended tram system, the attraction of world class conferencing facilities and a massively improved leisure offer have all helped to promote the city. However, the most important factor and most difficult to achieve is attracting major new businesses to invest in the city and create new high value job opportunities. Birmingham is now reaping the rewards of securing several major businesses as others now look to follow in their footsteps.

The consequences of this positivity can be seen all around the city centre as it pushes upwards and outwards to meet the demand for ever larger open plan floorplates, public open spaces that people really want to spend time in, homes where people want to live and a leisure experience that rivals any of the other cities in the UK.

One of the key differences between our report this year is that, unlike last year, the results underline the fact that all sectors are active, supported by genuine demand and a demonstrable pipeline of future opportunities.

Whilst the Birmingham market is in rude health it would be foolish to imagine that the next few years will all be plain sailing. Real estate markets are notoriously cyclical and the full effects of the EU Referendum and the US election result are not known. Opinion is divided as to whether this will be positive or negative for the city. For the time being business continues as normal for most. Increases in SDLT and changes to the residential investment market, particularly Buy to Let, have contributed to a noticeable slow-down in the upper and luxury end of the London residential market. In Birmingham the impact has been less pronounced and is unlikely to be so damaging with different dynamics at play. Never the less we do expect the new regime to change investment behaviour over the next few years.

With a record number of new developments around the city across all sectors Birmingham is enjoying a well-deserved boom. The test will be to sustain the level of development in forthcoming years. Arguably the conditions now are better now than they have been for decades but the competition from other regional cities remains as fierce as ever. Our success to date can be put down to a forward looking, proactive City Council working in partnership with an innovative, resilient and motivated private sector. Both are equally driven to see the city succeed and coupled with a strong guard against complacency, the future looks bright for development in Birmingham.

## 6. Development table

| No.                                     | Name/Address                           | Developer  | Main use           | Total size (sq ft/units)                  | Completion date | Comments  |
|---|--|--|--------------------|---|-----------------|---|
| <b>City Centre - Under Construction</b> |  |  |                    |   |                 |   |
| 1                                       | 1 Newhall Street                       | Ardstone Capital                                   | Office             | 49,612 sq ft                              | Q1 2017         | Refurbishment   |
| 2                                       | Cornerblock,<br>2 Cornwall Street      | Bruntwood  | Office             | 110,000 sq ft                             | Q1 2017         | Refurbishment   |
| 3                                       | 55 Colmore Row                         | IM Properties                                      | Office/Leisure     | 160,000 sq ft                             | Q1 2017         | Refurbishment to create 145,000 sq ft of Grade A office and 15,000 sq ft restaurant space   |
| 4                                       | 89-91 John Bright Street               | EasyHotel  | Hotel              | 84 rooms                                  | Q1 2017         | EasyHotel to operate this new hotel   |
| 5                                       | The Lewis Building,<br>Bull Street     | Legal and General Property                         | Office             | 114,000 sq ft                             | Q2 2017         |   |
| 6                                       | Lombard House,<br>Great Charles Street | Dunedin Property/<br>Angelo Gordon                 | Office             | 28,000 sq ft                              | Q3 2017         | Refurbishment   |
| 7                                       | Arena Cental - Phase 1                 | Miller Developments/<br>Pro Vinci Asset Management | Office/Hotel       | 210,000 sq ft offices/250 bed hotel       | Q3 2017         | Full scheme will encompass 10 buildings including 670,000 sq ft of grade A office, 530,000 sqft of residential/ ancillary leisure. Phase 1 let to HSBC and Holiday Inn. |
| 8                                       | Cancer and Rare Diseases Centre        | Birmingham Children's Hospital                     | Research/ Hospital | 82,333 sq ft                              | Q4 2017         |   |
| 9                                       | The Bank,<br>Sheepcote Street          | Regal  | Residential        | 189 units                                 | Q2 2018         |   |
| 10                                      | Madison House                          | Seven Capital                                      | Residential        | 141 units                                 | Q3 2018         |   |
| 11                                      | Grand Hotel,<br>Colmore Row            | Hortons' Estate                                    | Mixed use          | 175 room hotel/<br>34,000 sq ft mixed use | Q3 2018         | Phased developemnt Hotel, Leisure/Retail 24,000 sq ft and Office 10,000 sq ft   |
| 12                                      | The Forum,<br>Pershore Street          | Linkcity   | Residential        | 334 units                                 | Q3 2018         | Former site of the ice rink now known as The Forum  |

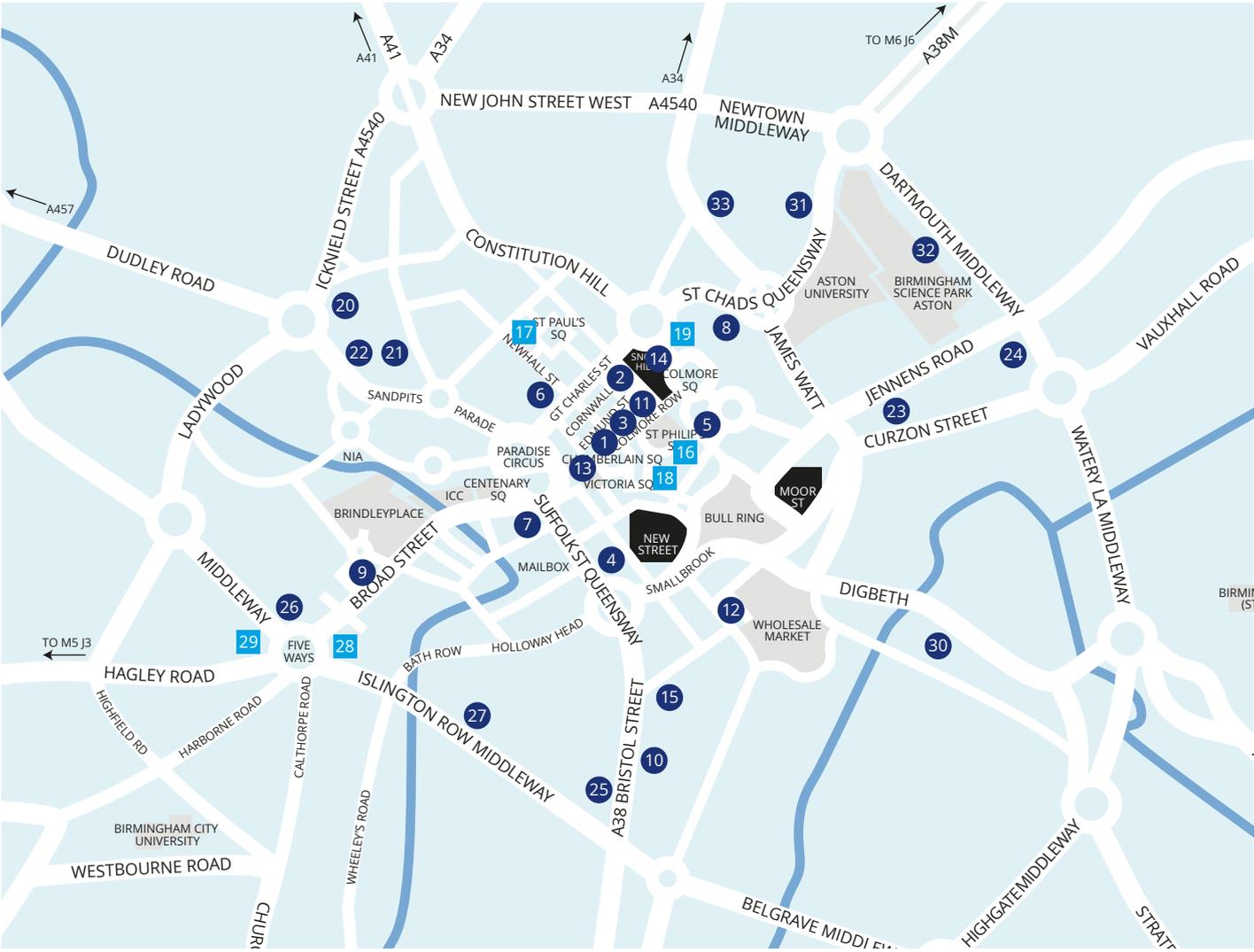
Red text denotes new starts since last Crane Survey

| No.   | Name/Address                          | Developer                   | Main use        | Total size (sq ft/units) | Completion date | Comments  |
|---|---------------------------------------|-----------------------------|-----------------|--------------------------|-----------------|---|
| 13  | Chamberlain Square – Paradise Phase 1 | Argent/Hermes               | Office          | 355,000 sq ft            | Q1 2019         | Phased office led development of 1.9m sq ft with retail, leisure and hotel. One and Two Chamberlain Square completing 2018/19.  |
| 14  | Three Snow Hill                       | Ballymore/M & G Real Estate | Office          | 420,000 sq ft            | Q1 2019         |   |
| 15  | Bromsgrove House                      | Shaylor Group               | Student housing | 140 bedspaces            | Q3 2017         |   |
| <b>City Centre – Completed</b>                |                                       |                             |                 |                          |                 |   |
| 16  | Aspect Court, Temple Row              | Nurton Developments         | Office          | 24,000 sq ft             | Q3 2016         | Refurbishment   |
| 17  | Assay Office                          | TCN                         | Office          | 30,000 sq ft             | Q3 2016         |   |
| 18  | 10 Temple Street                      | Freshwater Group            | Office          | 38,000 sq ft             | Q3 2016         |   |
| 19  | Lloyd House                           | Wilmott Dixon               | Office          | 105,000 sq ft            | Q3 2016         | West Midlands Police HQ   |
| <b>Jewellery Quarter – Under Construction</b> |                                       |                             |                 |                          |                 |   |
| 20  | The Foundry                           | Delph                       | Residential     | 61 units                 | Q2 2017         |   |
| 21  | Jewel Court                           | PGC Capital                 | Residential     | 77 units                 | Q2 2017         | Phased development  |
| 22  | St. George's Urban Village            | Seven Capital               | Residential     | 603 units                | Q1 2019         | Phased development  |
| <b>Jewellery Quarter – Completed</b>          |                                       |                             |                 |                          |                 |   |
| <b>Eastside – Under Construction</b>          |                                       |                             |                 |                          |                 |   |
| 23  | Birmingham Conservatoire              | Galliford Try/BCU           | Education       | 115,669 sq ft            | Q2 2017         | £57 million new building at Millenium Point which will form the new Birmingham Conservatoire, including the Birmingham School of Acting, as it moves from its old home at Paradise Circus |

Red text denotes new starts since last Crane Survey

| No.                                   | Name/Address                         | Developer                                  | Main use        | Total size (sq ft/units) | Completion date | Comments  |
|---------------------------------------|--------------------------------------|--|-----------------|--------------------------|-----------------|---|
| <b>Eastside- Completed</b>            |                                      |  |                 |                          |                 |   |
| 24                                    | Eastside Locks                       | Goodman Eastside Locks/Alumno Developments | Student housing | 650 units                | Q3 2016         |   |
| <b>Edgbaston - Under Construction</b> |                                      |  |                 |                          |                 |   |
| 25                                    | Park Central - Zone 11               | Crest Nicholson                            | Residential     | 335 units                | Q3 2017         | Final stage of the Park Central development   |
| 26                                    | Broadway                             | Seven Capital                              | Residential     | 214 units                | Q3 2017         | Conversion of office block to create mixed use, part residential, part office, part retail and car park |
| 27                                    | Ridley House                         | Seven Capital                              | Residential     | 64 units                 | Q3 2017         |   |
| <b>Edgbaston - Completed</b>          |                                      |  |                 |                          |                 |   |
| 28                                    | Park Regis                           | Seven Capital                              | Hotel           | 253 rooms                | Q1 2016         | Completed   |
| 29                                    | No.1 Hagley Road                     | Seven Capital                              | Residential     | 271 units                | Q3 2016         | Completed   |
| <b>Digbeth - Under Construction</b>   |                                      |  |                 |                          |                 |   |
| 30                                    | Fabrick Square                       | Seven Capital                              | Residential     | 313 units                | Q3 2017         |   |
| <b>Digbeth - Completed</b>            |                                      |  |                 |                          |                 |   |
| <b>Aston - Under Construction</b>     |                                      |  |                 |                          |                 |   |
| 31                                    | Bentley House, Legge Street          | The Student Housing Company                | Student housing | 534 bedspaces            | Q3 2017         | Student accommdation with 3,311 sq ft ancillary retail  |
| 32                                    | National College for High Speed Rail | HS2 Ltd, The Midlands Engine, GBSLEP, BCC  | Education       | 61,350 sq ft             | Q3 2017         |   |
| 33                                    | Bagot Street                         | Arlington Student Holdings                 | Student housing | 492 bedspaces            | Q3 2018         |   |

Red text denotes new starts since last Crane Survey



● Under construction    ● Completed

# 7. Contacts

## Midlands Head of Real Estate



**Edwin Bray**

Partner

0121 695 5636

[ebay@deloitte.co.uk](mailto:ebay@deloitte.co.uk)

## Insights



**Shaun Dawson**

Research Manager

020 7303 0734

[sdawson@deloitte.co.uk](mailto:sdawson@deloitte.co.uk)

# Notes

# Notes



# Deloitte.

## Real Estate

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2017 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.  
Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. J10975