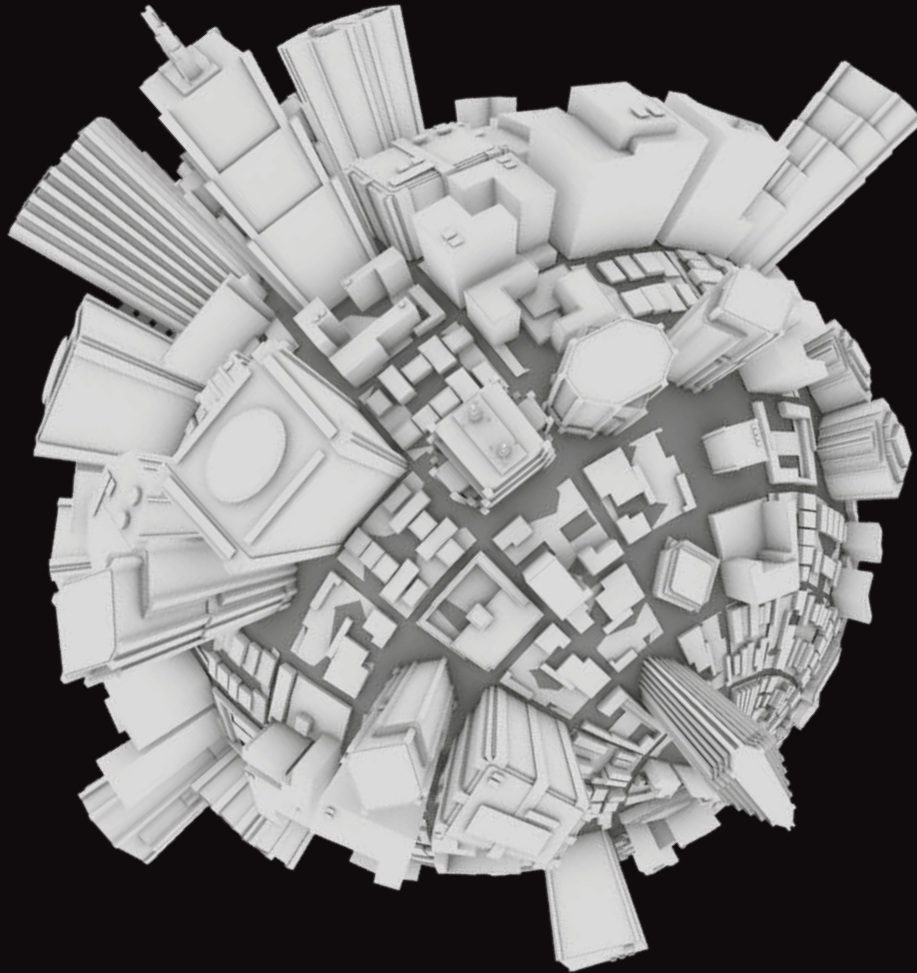


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Redeveloping the city's skyline

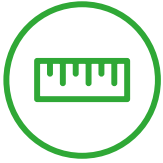
Birmingham Crane Survey

January 2018

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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, research and hotels.



Where?

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



Who?

New and refurbished buildings 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 2017 to December 2017. Our research for this report was undertaken during Q4 2017.



How?

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

Key findings

Crane Survey results

Surge in residential development with **13 new starts** delivering over **2,500 units** in 2018



Office development stays at a record high with **four new starts** totalling over **640,000 sq ft**



Four new student housing schemes providing **1,365 more bed spaces**



Outlook

Birmingham is a destination of choice for developers and investors



Financial and professional service sectors to consolidate in the city; TMT and creative sector expands

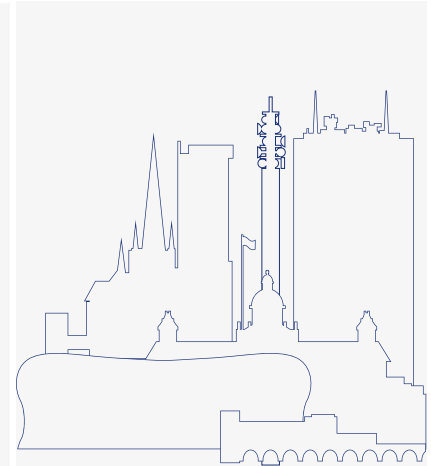
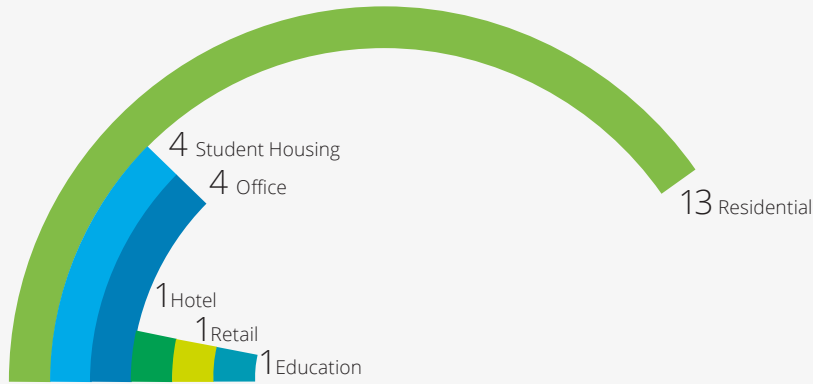


HS2 is expected to drive more development across the city

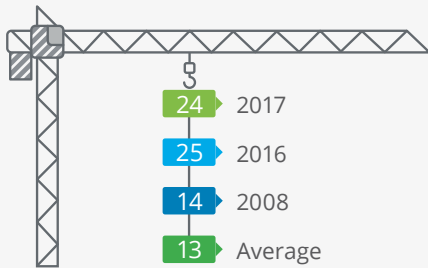


Birmingham development snapshot

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



Number of new starts



Office floorspace under construction



Number of completed schemes since last survey

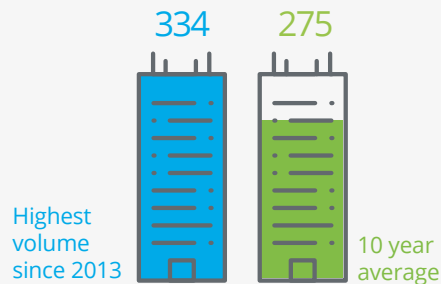


Office space under construction



1,436,254 sq ft

Completed hotel rooms



Residential units under construction



Student bed spaces under construction



Increase in student bed spaces under construction from 2017

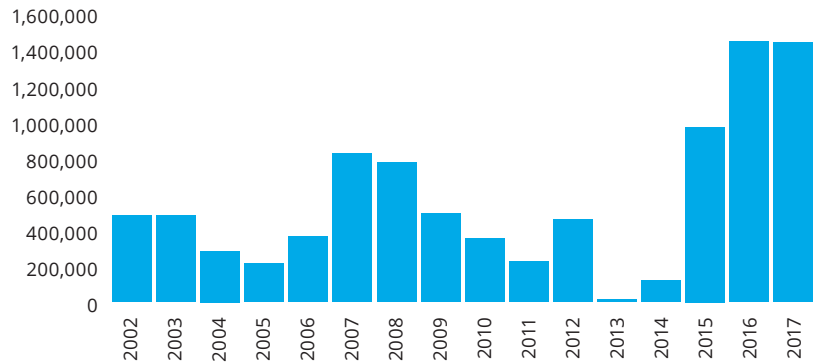


1. Office

The Birmingham city centre office market has experienced a stellar year with office leasing activity surpassing one million sq ft in 2017. This demand has in turn bolstered new office development around the city. Our research shows that for the second consecutive year office construction totals over one million sq ft.

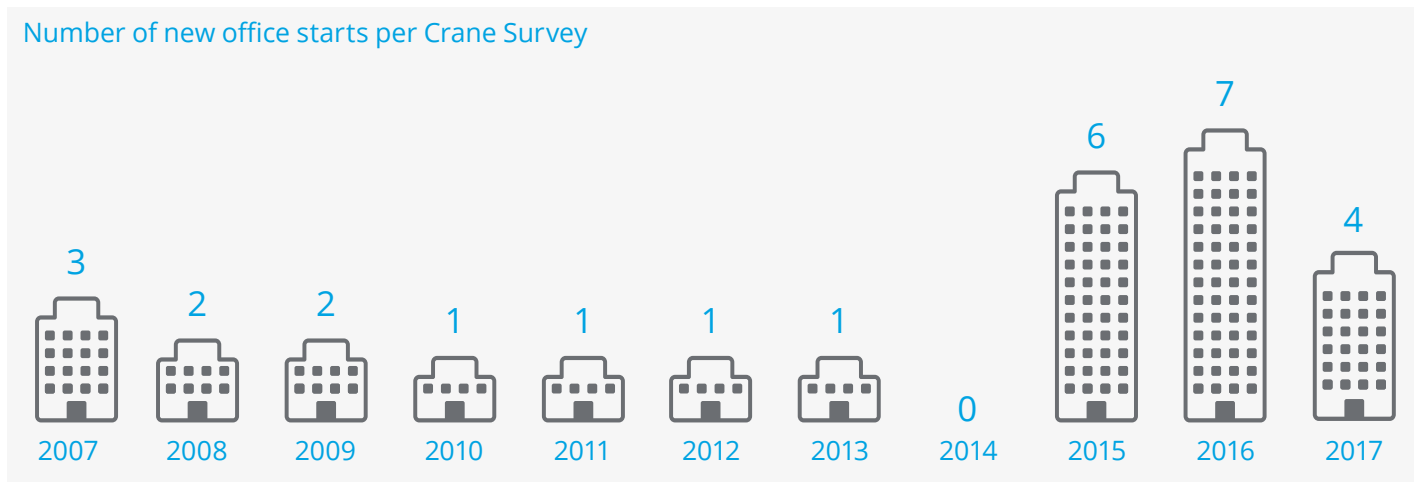
The latest Crane Survey results show there have been four new office developments start over the past year bringing the total volume of office space under construction to 1.4 million sq ft. This figure, whilst similar to our previous survey, highlights the confidence in the wider office market. In 2017 almost 450,000 sq ft was completed and pre-letting remains strong with 49% of the space under construction now pre-let.

Birmingham: Total office volume under construction per survey
sq ft



Source: Deloitte Real Estate

Number of new office starts per Crane Survey



Strong demand boosts city credentials

Office development across Birmingham continues to be at a historic high with 1,436,254 sq ft under construction, compared to the 10-year Crane Survey average of 567,000 sq ft. Letting activity over the last three years has encouraged property companies and developers to seize the opportunity to refurbish and redevelop existing stock meaning that Birmingham city centre now offers a wider range of accommodation.

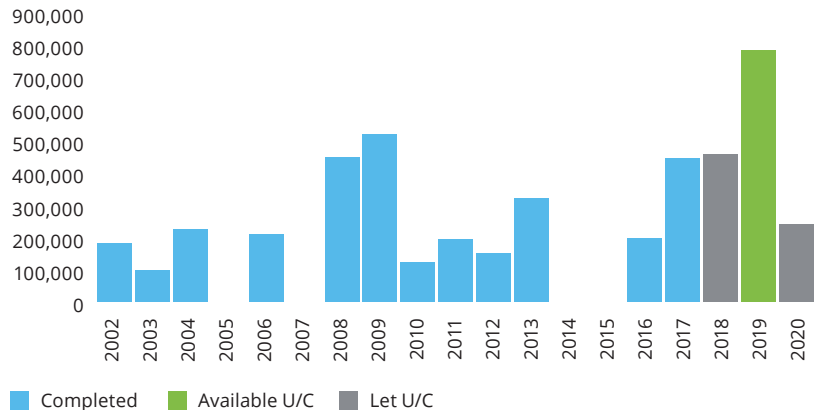
Birmingham has benefitted from a number of high profile leasing deals not least of all by the commitment from HMRC to a new 25 year lease on 238,988 sq ft at Arena Central. A deal that was widely reported as the largest pre-let in Birmingham over the last decade. HMRC's requirements were for a modern, flexible workplace which would deliver value for money and improve the wellbeing and productivity of the 3,600 staff. The move to consolidate several regional offices will open up new development and refurbishment opportunities of former offices in future years. Meanwhile work continues on at No.1 Centenary Square where occupation by HSBC is anticipated in mid-2018. Nearby, construction is progressing well at No.1 Arena Central where 135,000 sq ft is underway and scheduled for completion in the early part of 2019.

The Paradise development, which garnered significant media attention on the launch of our previous Crane Survey, is taking shape. No.1 Chamberlain Square, 12 months ago was at ground works level is nearing completion in 2018 providing 172,000 sq ft. At nearby No.2 Chamberlain Square activity continues on 183,000 sq ft, expected to complete mid-2019.

Elsewhere, development continues at Ballymore's Snowhill scheme providing a new 17 storey office totalling 420,000 sq ft and is thought to be one of the largest speculative offices in Europe which demonstrates developers' confidence in the Birmingham market. This space is due for completion in the first quarter of 2019.

At 103 Colmore Row demolition of the former NatWest tower is now complete and construction work is expected to start imminently on the 205,000 sq ft, 24 storey replacement featuring a large skyline restaurant.

Birmingham: Office development pipeline
sq ft



Source: Deloitte Real Estate

Value-add development

The rise in major refurbishments is unsurprising given the number of office relocations and prospects for developers and investors to add value. At Great Charles Street the refurbishment of Civic House relaunched as Crossway is illustrative of this move and has been let to a serviced office operator. The emergence of flexi-let office space continues to gather pace with operators competing hard for market share. The appeal of flexible office space, particularly in the 1,000 sq ft to 5,000 sq ft bracket has featured more prominently post HS2 confirmation with strong take up from engineering and construction companies.

Birmingham has benefitted from strong demand for offices not least of all space that is under construction.

2. Hotel, retail and leisure

Hotel

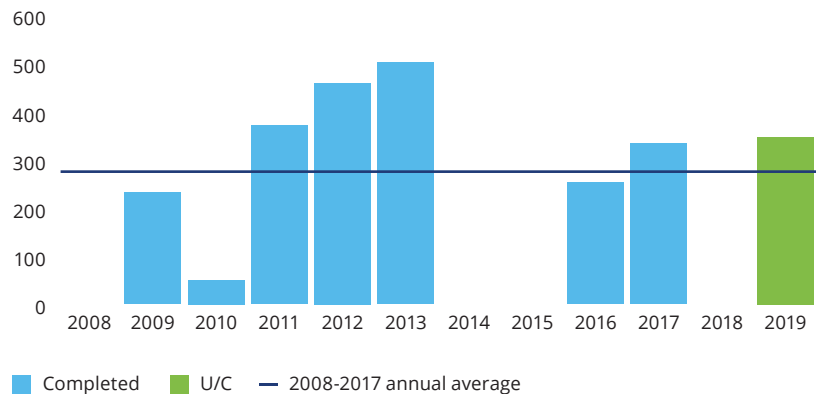
The latest survey shows that there was just one new hotel start over the past year, bringing the total number of schemes under construction to three scheduled to provide 347 new rooms. Our research also showed that 334 new hotel rooms completed in 2017, the highest volume since 2013 and against a 10 year average of 275.

The above average level of hotel development includes the newly started hotel at Woodcock Street being developed alongside a new conference centre. The developers Hortons' Estate have announced that The Grand will be operated by Principal Hotels and this will see 177 rooms become operational in Q2 2019.

The hotel market in Birmingham has fared well in 2017. Hotel occupation rates have remained high in Birmingham with figures suggesting an annual average of approximately 75%. The average spend per head was reportedly up a third since 2013 according to a report for Marketing Birmingham (now West Midlands Growth Company). In a February 2017 article Richard McComb, Telegraph Travel's resident Birmingham expert says: "Birmingham's vibrant hotel scene, in line with its gastronomic landscape, is unrecognisable from a decade ago. There is now a terrific choice for business travellers and visitors. The only anomaly is the absence of a bona fide five-star hotel, which is odd for the UK's second biggest city." The opportunity to open a new five star hotel in Birmingham remains an exciting prospect.

Birmingham: Hotel development pipeline

No. of rooms



Source: Deloitte Real Estate

Other new hotels are planned as part of larger mixed-use developments and will be reported in future surveys as work commences on site. For example, conversions such as Beneficial House where 130 rooms could be formed within an office that has stood vacant for years, mean that the pipeline remains strong.

Retail

The Crane Survey records one new retail/leisure scheme in the city centre although we are mindful of a large number of retail units that are being developed within mixed-use and office schemes which may become food and beverage outlets or specialist retail supporting new office communities.

The largest scheme under construction is the re-modelling of the Pavillions which is expected to complete mid-way through 2018 with Primark opening their new 160,000 sq ft store ahead of Christmas 2018. Described as their flagship store, it is expected to be the largest in the UK employing 800 people.

For the second year running retail development has been subdued as the Bullring and Grand Central continue to remain dominant in the city centre. The refurbishment at the Mailbox has attracted new retailers to Birmingham and provides a high quality environment for those seeking out the upmarket retail experience.

Around the city, retail units continue to be incorporated within large mixed-use developments such as Chamberlain Square where the ground floor retail/restaurant offer will not only serve the new office occupants but will help to attract tourists and shoppers stretching out dwell times and helping to rejuvenate the upper end of New Street.

For the second year running retail development has been subdued as the Bullring and Grand Central continue to remain dominant in the city centre.

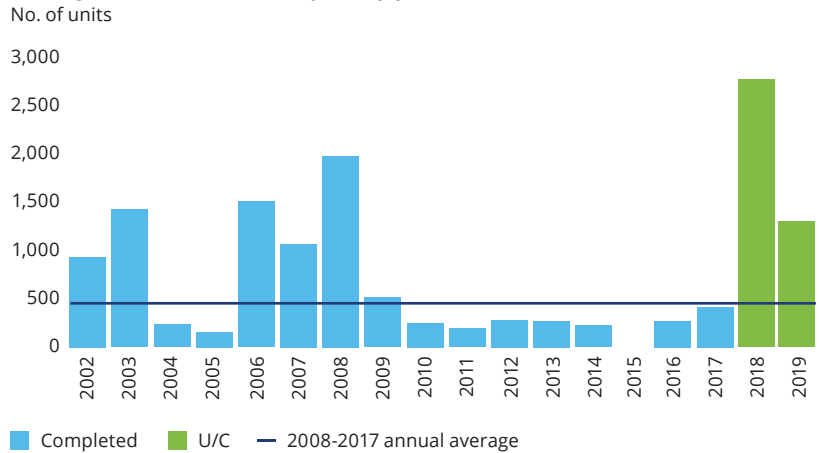
3. Residential

Residential development activity has reached record levels. Our research identifies 4,078 units under construction with many more being created in other smaller schemes (i.e less than 25 units). We have recorded 13 new schemes starting in 2017. The pipeline for 2018 has now risen to 2,777 as a number of large schemes are set to complete later this year.

Last year our research highlighted the return of confidence in the city centre residential market with developers competing for sites. This year sees the race to deliver space intensify as pressure mounts to satisfy demand from first time buyers in addition to a sustained appetite from overseas and private investors. This supplements those who are relocating to the city following the announcements of major office relocations in recent years.

The Broad Street area has been a focus for developers and Regal is now working on the tallest new building in the city at the junction with Sheepcote Street. At 31 storeys the second phase is underway and will provide 205 units in addition to the 189 being finished off in Phase 1 next door. However this tower will be eclipsed if a 42 storey building is built at Zone2 Broad Street where 481 units are planned.

Birmingham: Residential development pipeline



Source: Deloitte Real Estate

At Arena Central, Dandara are part-way through their scheme to deliver 322 apartments and at Exchange Square work is progressing well at Nikal's development which will ultimately comprise 826 apartments and commercial space close to the new HS2 terminal. At the very edge of our search area, Landsdowne House is progressing quickly and will provide 206 homes adjacent to No.1 Hagley Road. Towards the city centre The Lightwell is an office to residential conversion which will provide 77 apartments.

The Jewellery Quarter remains a popular destination for those preferring characterful conversions and also a good selection of new builds. St Georges' Urban Village, Hockley Mills and Newhall Square will all help to further boost the appeal of this area and in total we calculate that over 1,200 units are being built in and around this part of the city with more in the pipeline.

The Digbeth area of Birmingham is gradually being transformed with continuing development on Lombard Street and work is expected to start soon on Severn Capital's Connaught Square where close to 1,000 units are planned. For the second year running Severn Capital remain the most active developer around the city with nine sites being built out and more starting soon.

At Southside the gateway Roosevelt scheme nears completion with 335 units and on Pershore Street, the site of the former ice rink, will provide a further 334 units and are expected to be complete in 2018.

One of the largest schemes in this area yet to start will involve the redevelopment of Monaco House and the adjoining land. The plan to deliver an area known as New Monaco will include over 1,000 apartments and will take around four years to develop. Beyond our search area but worthy of mention, work is starting on the first phase of Icknield Port Loop, a 17 ha site which will eventually comprise 1,150 new homes together with commercial, retail and leisure helping to regenerate a long neglected site on the city fringe.

This year sees the race to deliver space intensify as pressure mounts to satisfy demand from first time buyers in addition to a sustained appetite from overseas and private investors.

4. Student housing, education, health & research

Our survey this year identified a substantial increase in the construction of student housing but by contrast the activity levels involving the development of education space, medical related development and research facilities has fallen back. We recorded one new educational start and four large new student housing schemes. In 2017, 674 new bed spaces were completed but in 2018 we expect this to rise to 1,782. Much of this new development is concentrated around the Eastside and Aston areas.

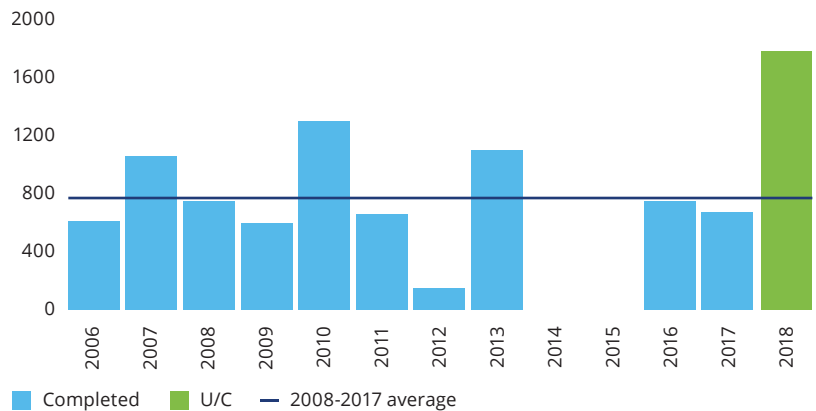
Student housing

Our 2017 survey reported a third successive year of considerable development activity in student accommodation but slightly below the long-term average delivery of approximately 800 rooms per year.

At Cliveland Street the Globe Works will deliver 520 new rooms in June 2019, Curzon B will add 650 rooms in mid-2018 and the 15 storey Emporium Building at Bartholomew Row will deliver 184 rooms whilst also retaining and restoring a well-known listed building as part of the works. Unite continue to increase their holding in the city and their development at Bagot Street will add another 586 units. On the opposite side of the city CRM are developing 75 rooms with two ground floor commercial units at Bristol Street.

In February 2017 Deloitte Real Estate advised on the sale of Aston Student Village, one of the largest transactions in this market in the year demonstrating that confidence in the city and the sector remains strong.

Birmingham: Student housing development pipeline
No. of bedspaces



Source: Deloitte Real Estate

Education, health and research

One of the most significant developments to complete in 2017 was the £57 million Royal Birmingham Conservatoire and Birmingham City University has announced plans to extend the Curzon Buildings at the City Campus. This will include teaching space with mock courtrooms and a lecture theatre at Curzon B.

At Aston University there are plans to refurbish and remodel under-used space and creating areas for research and fibre optic communication labs for the school of engineering and applied sciences. Aston have also announced proposals for a 1960's building known as Gosta Green to be converted to a medical school which will serve as 'a catalyst for change' in the teaching of medicine. At University College Birmingham plans for a modified scheme at George Street are progressing and should deliver more teaching space, sports facilities, offices and storage within a building of over 130,000 sq ft.

Our research has highlighted for the third successive Crane Survey continued investment and development of student accommodation in the city.

5. Outlook

Birmingham is undoubtedly in a new era of redevelopment and repurposing. As the arrival of HS2 moves ever closer the city is capitalising on its position and has seen a number of prominent businesses choose Birmingham, and it seems that developers are keener than ever to build. With the election of a new regional mayor, the creation of a combined authority and Devo 2, the political landscape has changed and has led to a more positive attitude and approach. Securing the 2022 Commonwealth Games and the possible relocation of a national broadcaster is providing positive press coverage and stimulating a real buzz around the city.

Now in its 16th year the Birmingham Crane Survey has reported the high and lows of development around the city centre and whilst the national and international news may be cause for concern, Birmingham is witnessing a resurgence in development. The construction industry has battled with rising costs and dwindling labour pools but the results from our survey indicate that Birmingham is delivering.

As a commentator it is tempting to highlight the largest schemes as having the greatest impact. Without doubt Arena Central and Paradise have captured the attention by regenerating a combined area of more than 8 ha in the centre. However, it is the breadth of development spread throughout the city that is more telling with a balance of apartments both for sale and to rent providing homes for the city's expanding workforce and all within walking distance of the main business districts.

With such a profusion of development activity sustained over the last three years it would be reasonable to expect that activity might have started to wane, this is not the case. The pipeline of new developments looks as healthy as ever and one of the most exciting prospects yet to come is Smithfield. The site owned by the City Council is currently shortlisting development partners. At 17 ha the vast site lies adjacent to the side of the Bullring shopping centre. Ultimately it will provide almost 3 million sq ft of mixed commercial space and 2,000 new homes. Couple this with sites such as New Monaco where another 1,000 apartments are planned and the outlook for redevelopment and regeneration is exciting.

Demand for new space will always be the subject of scrutiny but few would argue that the shortage of housing is deep set and so long as rent and prices remain achievable the prospects for residential development look secure. Demand for commercial space is however more variable and difficult to predict. We continue to see evidence of retailers 'right-sizing' and 'reshaping' their property portfolios. This trend is likely to continue and will impact all city centres with the residential and leisure sectors likely to mop up surplus space. Concerns around the possible future over supply of offices will always exist whilst the amount of space with planning but not started remains high.

Yet, as near-shoring increases in popularity and firms look to expand their regional base, developers will look to capitalise on the future benefits any new infrastructure will bring. Developers in Birmingham have chosen to build speculatively, unlike in some other UK cities, and confidence has remained high. Part of the reason for this relates to the ability of the city to re-invent itself and attract new industries. Whether it be TMT, life sciences, creative industries or clean energy research, Birmingham is continuing to attract innovative and entrepreneurial businesses, and more importantly people.

Birmingham is undoubtedly in a new era of redevelopment and repurposing, spurred on by the arrival of HS2.

6. Development table

No.	Name/Address	Developer	Main use	Total size (sq ft/units)	Completion date	Comments
City Centre - Under Construction						
1	The Crossway, Great Charles Street	AG Dunedin	Office	76,254 sq ft	Q1 2018	Refurbishment over 10 floors fully let to IWG (Regus)
2	One Centenary Square, Arena Central	HSBC	Office	210,000 sq ft	Q2 2018	Office building forward-purchased by HSBC
3	Granville Lofts	Seven Capital	Residential	112 units	Q2 2018	
4	The Lightwell, Cornwall Street	Pimlico Capital/ Adapt Real Estate	Residential	77 units	Q2 2018	Building conversion to provide 1 and 2 bed units
5	The Bank, Sheepcote Street, Phase 1	Regal	Residential	189 units	Q2 2018	
6	One Chamberlain Square	Argent/Hermes	Office	172,000 sq ft	Q3 2018	New offices over 8 storeys fully leased to PwC
7	Tennant Street Lofts	Elevate Property Group	Residential	40 units	Q3 2018	
8	The Pavillions	Primark	Retail	160,000 sq ft	Q3 2018	
9	No. 1 Arena Central	Miller Developments	Office	135,000 sq ft	Q1 2019	
10	Three Snowhill	Ballymore/M & G Real Estate	Office	420,000 sq ft	Q1 2019	Office development over 17 storeys
11	Arena Central	Dandara	Residential	323 units	Q1 2019	
12	Grand Hotel, Colmore Row	Hortons' Estate	Hotel (mixed-use)	177 rooms	Q2 2019	Hotel development including retail and leisure elements
13	Exchange Square Phase 1	Nikal	Residential	603 units	Q2 2019	Residential development including retail and leisure elements
14	The Bank, Sheepcote Street, Phase 2	Regal	Residential	205 units	Q3 2019	

Red denotes new start this 2018 survey

No.	Name/Address	Developer	Main use	Total size (sq ft/units)	Completion date	Comments
15	Two Chamberlain Square	Argent/Hermes	Office	183,000 sq ft	Q4 2019	New offices over 8 storeys including 16,333 sq ft retail/leisure
16	No. 3 Arena Central	Miller Developments	Office	240,000 sq ft	Q2 2020	The Government Property have leased the entire building for the new Midlands hub of HMRC.
City Centre – Completed						
17	89-91 John Bright Street	EasyHotel	Hotel	84 rooms	Q1 2017	
18	1 Newhall Street	Ardstone Capital	Office	49,612 sq ft	Q1 2017	
19	Cornerblock, 2 Cornwall Street	Bruntwood	Office	110,000 sq ft	Q1 2017	
20	55 Colmore Row	IM Properties	Office/Leisure	145,000 sq ft	Q1 2017	Refurbishment to create Grade A office with additional 15,000 sq ft of restaurant space
21	The Lewis Building, Bull Street	Legal and General Property	Office	114,000 sq ft	Q2 2017	
22	Hotel at Arena Central	Miller Developments/ Holiday Inn	Hotel	250 rooms	Q3 2017	
23	Lombard House, Great Charles Street	Dunedin Property	Office	28,000 sq ft	Q3 2017	
24	Ridley House, Ridley Street	Seven Capital	Residential	64 units	Q3 2017	
25	Cancer and Rare Diseases Centre	Birmingham Children's Hospital	Research/ Hospital	82,333 sq ft	Q4 2017	

Red denotes new start this 2018 survey

No.	Name/Address	Developer	Main use	Total size (sq ft/units)	Completion date	Comments
Jewellery Quarter – Under Construction						
26	The Embankment, St Vincents Street	In Reach Living/ BCC	Residential	92 units	Q2 2018	Build-to-Rent scheme
27	The Million Pen Building, 3-5 Legge Lane	Kendrick Homes	Residential	27 units	Q3 2018	Residential with provision of six commercial units
28	Edward Street	Trigram/ Prosperity	Residential	58 units	Q3 2018	New six storey residential development
29	Edward Street	Seven Capital	Residential	82 units	Q4 2018	
30	St. George's Urban Village inc Kettleworks and Summer House	Seven Capital	Residential	638 units	Q4 2018	Phased development part conversion and part new build to provide apartments and town houses
31	The Quadrant, Summer Hill Street	Seven Capital	Residential	133 units	Q4 2018	
Jewellery Quarter – Completed						
32	The Foundry, Warstone Lane	Delph	Residential	61 units	Q2 2017	
33	Jewel Court, Legge Lane	CC/PGC Capital	Residential	77 units	Q2 2017	
Eastside – Under Construction						
34	Curzon B	BCU	Education	100,000 sq ft	Q2 2018	New teaching accommodation
35	The Emporium	Linford Czero/ ESP	Student housing	184 bedspaces	Q3 2018	15 storey tower and refurbishment of listed building
36	Woodcock Street	Unite (the Union)	Hotel	170 rooms	Q1 2019	Hotel to include 45,750 sq ft conference space
Eastside – Completed						
37	Birmingham Conservatoire	Galliford Try/ BCU	Education	115,669 sq ft	Q2 2017	£57 million new building at Millenium Point to house the Birmingham Conservatoire, and the Birmingham School of Acting

Red denotes new start this 2018 survey

No.	Name/Address	Developer	Main use	Total size (sq ft/units)	Completion date	Comments
38	National College for High Speed Rail	HS2 Ltd, The Midlands Engine, GBSLEP, BCC	Education	61,350 sq ft	Q3 2017	
Southside - Under Construction						
39	Madison House, Wrentham Street	Seven Capital	Residential	141 units	Q3 2018	
40	The Forum, Pershore Street	Linkcity	Residential	334 units	Q3 2018	Former site of the ice rink now known as The Forum
41	Roosevelt, Park Central	Crest Nicholson	Residential	335 units	Q3 2018	Final part of the Park Central development
Southside - Completed						
42	Bristol Street Student Living Apartments	CRM	Student housing	75 bedspaces	Q3 2017	
43	Bromsgrove House	Prestige Student Living Shaylor Group	Student housing	140 bedspaces	Q3 2017	
Edgbaston - Under Construction						
44	Landsdowne House	Seven Capital	Residential	206 units	Q1 2018	
Edgbaston - Completed						
45	Broadway Residence	Seven Capital	Residential	214 units	Q4 2017	
Digbeth - Under Construction						
46	Cotton Lofts, Fabrick Square, Bradford Street	Seven Capital	Residential	313 units	Q1 2018	
47	St Annes, Lombard Street	ESRG	Residential	170 units	Q1 2019	New five storey providing 1 and 2 bed units

Red denotes new start this 2018 survey

No.	Name/Address	Developer	Main use	Total size (sq ft/units)	Completion date	Comments
Digbeth – Completed						
Aston – Under Construction						
48	International House, Lawson Street	Unite	Student housing	586 bedspaces	Q3 2018	14 storey development
49	The Globe Works, Cliveland Street	London & UK Property	Student housing	520 bedspaces	Q3 2018	
50	Bagot Street	Arlington Student Holdings/ Campus Living Village	Student housing	492 bedspaces	Q3 2018	17 and 11 storey development
Aston – Complete						
51	Bentley House, Bagot Street	The Student Housing Company	Student housing	534 bedspaces	Q3 2017	Student accommdation with 3,311 sq ft ancillary retail

Red denotes new start this 2018 survey

8. Contacts



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Notes

Notes

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