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Real Estate

## Birmingham Crane Survey Development returns



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# The report



## What?

A report that measures the volume of development taking place across central Birmingham and its impact. Property types include office, retail, leisure, residential, student accommodation, education and hotels.



## Where?

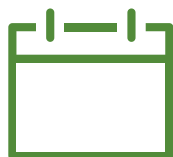
Central Birmingham, including parts of Digbeth, Jewellery Quarter and Edgbaston.



## Who?

Developers building new schemes or undertaking significant refurbishment of the following:

Size minimum = **office** – 10,000 sq ft, **retail** – 10,000 sq ft, **residential** – 25 units, **education, leisure and hotel schemes** – significant scheme for inclusion.



## When?

This is our first report since September 2013. Our research for this Crane Survey was undertaken between 28 September and 6 October.



## How?

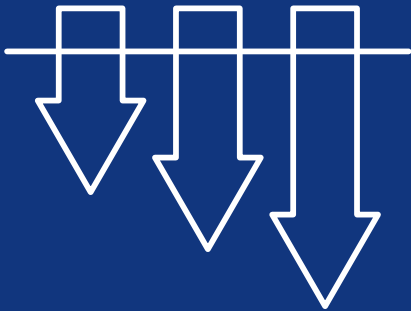
Our in-house real estate team in Birmingham have monitored office construction across the city. Our field research is then verified with direct industry links and in-house property experts.

# Key findings

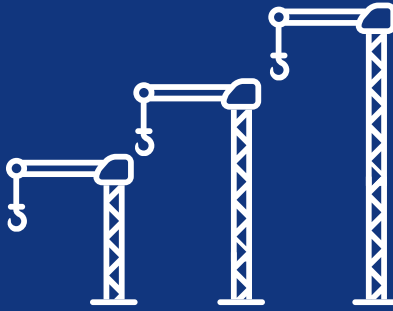
# Key findings

## Crane Survey results

**9 new schemes** have started, below the **average (11)**



Office construction **highest** level in over **13 years**



**693 hotel rooms** under construction

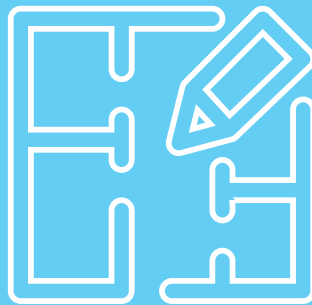


## Outlook

**Investor interest** looks towards the **regional cities**



**Developers** work up plans for **more schemes**



**Connectivity** to **boost** Birmingham

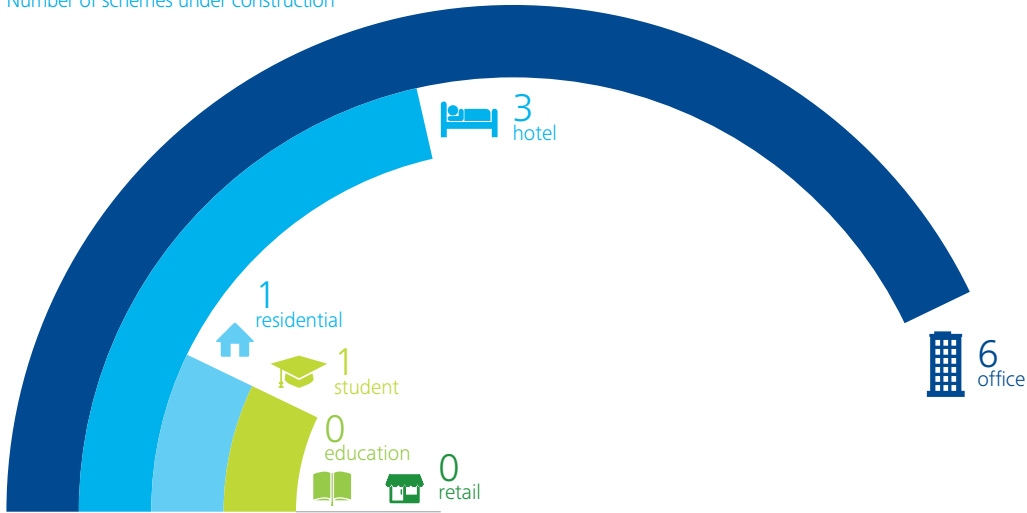


# Birmingham snapshot

# Development snapshot

## Birmingham

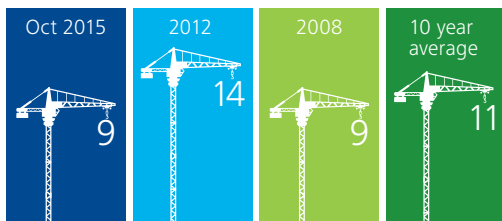
Which sectors are active?  
Number of schemes under construction



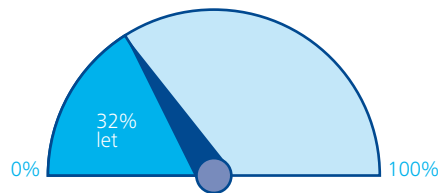
**Office space** under construction **969k sq ft**



Number of new starts



Total amount of office space under construction which has been let



**Residential units** under construction **600**



Number of completed schemes since last survey (2013)



**Student bedspaces** under construction **650**

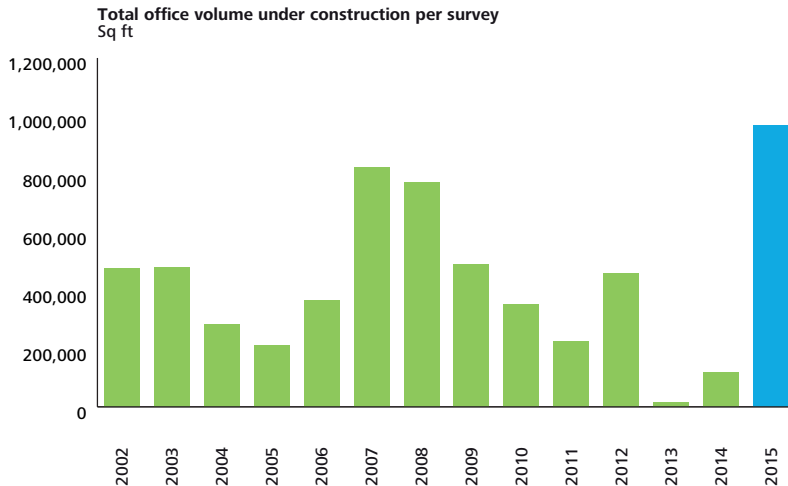


# Crane Survey results

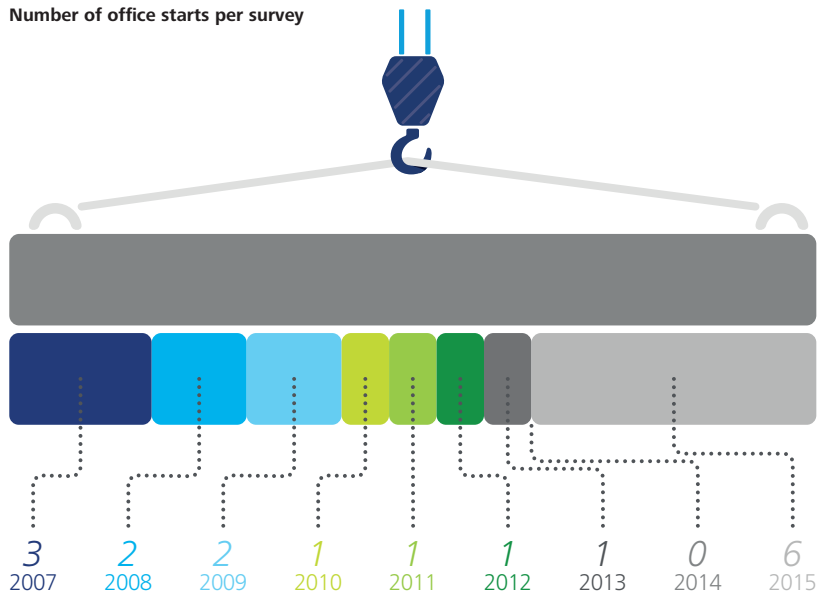


# Office

## Largest volume of office space under construction



**Number of office starts per survey**



### Increase in developer sentiment leads to rise in construction

There is currently 969,000 sq ft of office space that is under construction across Birmingham. This is the highest level since we began our Crane Surveys in Birmingham and significantly higher than the last peak in 2008 and considerably above the 10-year average of 384,000 sq ft. It is also a far cry from the historic low volume of office construction in our 2013 Crane Survey of 14,000 sq ft. It is clear that developer confidence has returned, heralding a mix of both speculative schemes and pre-let driven developments.

Six new office starts are recorded in this survey which is the most we have seen in a single Birmingham Crane Survey. After a period of low levels of construction, activity has returned to the city.

### Occupier take-up driving development decisions

At the time of the survey office take up so far had reached 732,000 sq ft but was predicted to reach over 800,000 by the end of 2015. The volume of leasing activity has been growing year-on-year since 2012. However, back in 2013 we remained cautious about any rush to develop new space when there was still a considerable number of Grade A offices still available. The tide has since turned and as the level of available space has eroded away over the past couple of years, occupier focus on the city has returned. Developers are now ready to respond to an increase in potential demand.

Occupier choice is constrained to but a few existing schemes. Of the space under construction, 32% is already let.

### Developers focus on the city centre

In previous years we saw a propensity to develop schemes in the submarkets of Edgbaston, Digbeth and the Jewellery Quarter. Construction of new space is now more concentrated in the city centre and the core.

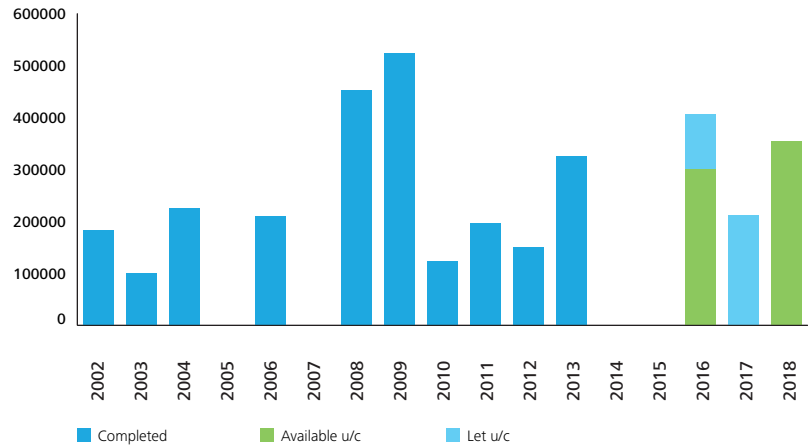
A significant amount of Birmingham's existing office space is located within the Colmore District. This is a well-established office area recognised by investors and occupiers alike and it should be no surprise that we are seeing increasing investment. 55 Colmore Row is one of the most recent projects to begin. The Grade II listed 19th century building will provide approximately 160,000 sq ft of Grade A office space, arranged over six floors.

Currently interrupting the Birmingham skyline is a large crane hanging over 103 Colmore Row, the former Natwest Tower. The 1970's office building had been vacant since 2003 until the developer received planning permission to demolish the 22 storey building. In its place they are set to construct a landmark office/ retail development providing approximately 200,000 sq ft of Grade A accommodation.

### Investor interest

As the occupational market strengthens, investment activity in the city has risen. There have been a number of notable deals completed during 2015 including One Colmore Row and Colmore Plaza. Investment deals have occurred right across the city centre with Seven, Eight and Ten Brindleyplace selling in February 2015 and Three, Four, Five, Six and Nine Brindleyplace currently on the market. This level of activity has pushed prime office yields on the very best stock to below 5% for the first time since the financial crash.

Birmingham: office development pipeline  
Sq ft



# Hotel, Leisure & Retail

## The opening of the next chapter in Birmingham's history



Source: Courtesy of Grand Central



Source: Courtesy of The Mailbox

### Birmingham's retail offering expands

The latest Crane Survey results show that over 700,000 sq ft of new retail space across three schemes has completed and opened in 2015.

As part of the £600 million refurbishment of Birmingham New Street Station, Grand Central Shopping Centre has been created above the station, providing a landmark development for the city. The shopping and dining destination is anchored by a 250,000 sq ft John Lewis, the largest in the UK outside London. In addition, 50 other national retailers have taken space in the development. Early trading figures and footfall have exceeded expectations and public reaction has been overwhelmingly positive.

The Mailbox has also undergone a transformation and relaunched. The extensive refurbishment and remodelling provides an alternative shopping and dining destination. This includes a 45,000 sq ft Harvey Nichols store, which the company hopes to be the blueprint for all future UK stores. The redeveloped scheme opened in September 2015.

### Retail and leisure to bolster mixed-use schemes

With the number of new schemes springing up in Birmingham, retail and leisure accommodation is continually being used to bolster mixed use developments. Birmingham's Bull Ring Shopping Centre has provided a retail hub for the city for many years, attracting shoppers from across the Midlands. Parts of New Street and High Street have benefitted from this, offering retailers a traditional high street pitch with an expectation of improving footfall. New developments taking place such as Paradise and Arena Central will widen out the retail offering even further. Both schemes are planned to offer ancillary leisure and retail space which we expect will ultimately include new shops, bars, restaurants and possibly specialist retail.

Another scheme of note includes work on the remodelling of the Pavillions Shopping Centre which has yet to get underway.

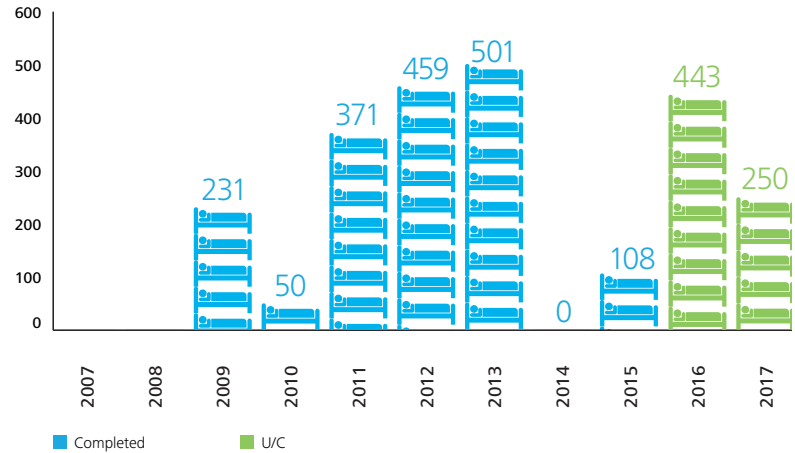
### Resurgence in Birmingham hotel rooms

After a hiatus of hotel development across the city in 2014, the pipeline for new hotel rooms has increased. With over 690 rooms currently under construction across three schemes, this level is three times that of the 10-year average.

This development appears to be warranted as hotel occupancy rates have reached new record heights in 2015 according to Marketing Birmingham's Regional Observatory/STR Global. Total occupancy was 73% in the first six months of 2015, the best half-year results since their records began in 2007 and an 11% rise on 2014. Birmingham's concert and conference events have helped towards this growth and with greater shopping credentials with the opening of Grand Central, the city is hoping that level will be maintained and increased.

Further schemes in the pipeline include work to the façade and roof of the Grand Hotel which is set to be completed this year and internal refurbishment is planned to commence early in 2017.

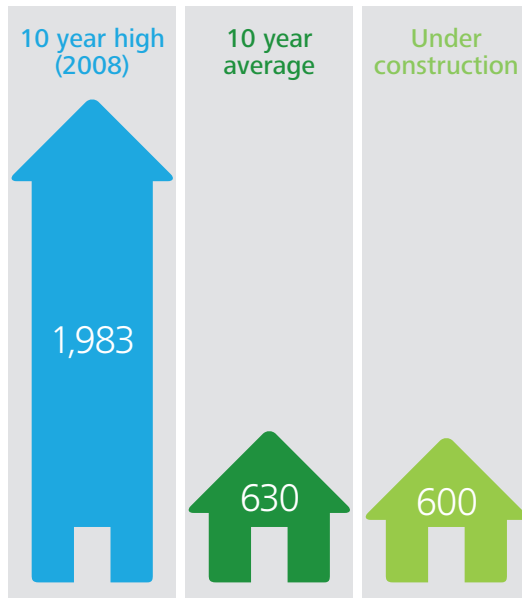
**Birmingham: hotel development pipeline**  
No. of rooms



# Residential

## 2015 marked the start of a new generation of residential

**Birmingham: residential development pipeline**  
No. of units



### Residential development falls short of expected demand

According to Birmingham City Council's Housing Prospectus there are around 30,000 people living in Birmingham City Centre. This number is expected to continue to rise and the level of new residential developments will need to keep pace to meet demand. Birmingham City Council estimates that over the next 15 years, the city centre has the potential to accommodate around 12,800 new homes. This development is likely to spread further across the city centre expanding the traditional residential development areas such as just beyond Brindleyplace and the Jewellery Quarter, driven further by the growing private rented sector.

The latest Crane Survey highlights that, although we have one new residential start of 600 units, our historic series shows that the delivery of new residential units within the city has been below the 10-year average consistently since 2009. Despite this there are a number of schemes that are being readied for construction.

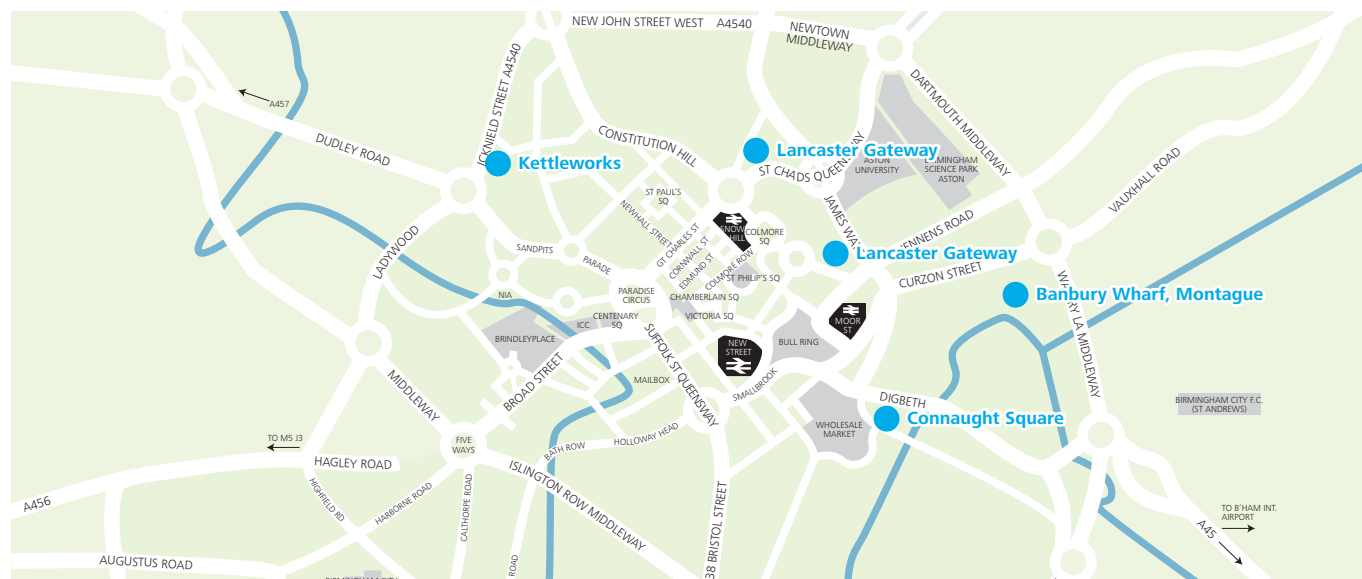
Further development at Arena Central is planned to provide the city centre with an additional 412 new residential apartments across two buildings. The scheme will incorporate a 26 storey building offering 245 apartments and a 10 storey building offering 168 apartments which will be situated to the west of the site along Bridge Street.

Another notable future scheme is Great Charles Place which is planned to incorporate a £100 million mixed used development, led by Sterling Property Ventures. The scheme was originally incorporated in the Snow Hill Master Plan and occupies a site within the Jewellery Quarter, close to Snow Hill Station. Phase One, planned to start on site in January 2016, will include 320 residential apartments with approximately 28,000 sq ft of commercial space. The developer is also thought to be seeking outline planning permission for Phase Two of the development which will provide a further 205,000 sq ft of office accommodation.

Seven Capital are promoting a large scale development at St Georges Urban Village in the Jewellery Quarter. The development, which also includes The Kettleworks, is set to provide around 550 residential units arranged over 430,000 sq ft of floor space. The scheme is currently being master-planned and should provide another boost for Birmingham's residential offering.

Birmingham City Council has sighted 12 development sites across the city centre which have been scoped for residential uses. We summarise the five largest of these schemes as at March 2015 and can be seen on the map below:

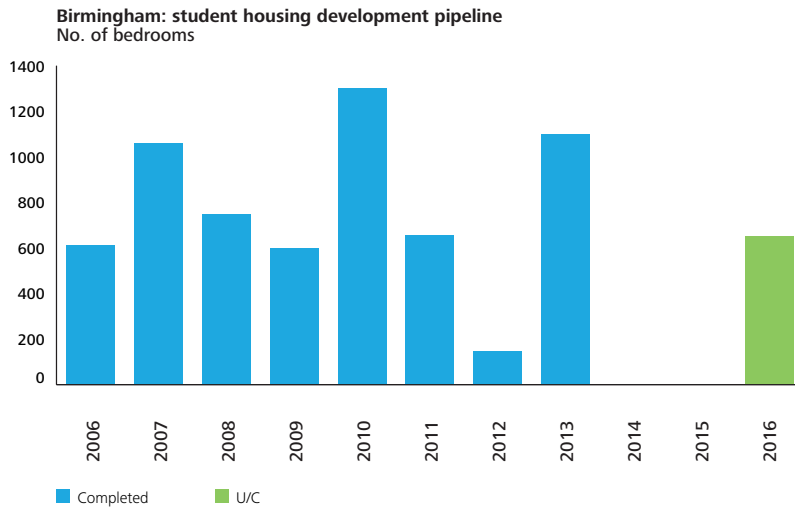
| Scheme                         | Size of site (ha)                     | Potential capacity (dwellings) | Planning status         |
|--------------------------------|---------------------------------------|--------------------------------|-------------------------|
| Exchange Square, Masshouse     | 0.4                                   | 1000+                          | Outline permission      |
| Connaught Square               | 1.8                                   | 700                            | Expired                 |
| Lancaster Gateway              | Front site – 0.32<br>Rear site – 0.46 | 700+                           | Granted                 |
| Banbury Wharf, Montague Street | 9                                     | 700                            | No application received |
| Kettleworks, Jewellery Quarter | 2.6                                   | 500                            | No application received |



Map source: Birmingham City Council – Housing Prospectus March 2015

# Student housing, education & research

## Student accommodation development is back



### New student digs

The latest Crane Survey results show that after two years, development of student accommodation has returned to the city centre, with one new scheme of 650 bedspaces being developed.

The substantial mixed-used development by Goodman is located in the Eastside Locks area, off the A47 Jennens Road. The scheme will encompass both commercial and residential uses, as well as a hotel and student accommodation serving Birmingham City University (BCU). The student provision is just one element of this site which will deliver office space for BCU.

### Education facilities

Once a regular feature on our development lists, construction of new education facilities has fallen by the wayside in recent years. University College Birmingham's Holland Street site is the only scheme to feature in this survey, having completed in 2015.





# Outlook

## Regional city development back on the cards

### The return of the Crane Survey after development hiatus

Following an upturn in the real estate market and a recovering economy we felt that the time was right to bring back the Birmingham Crane Survey. Our last survey in 2013 highlighted a 10-year low in new schemes, coming off the back of a relatively healthy level of development across most property types. Our latest results show that, whilst not all sectors are seeing construction levels back to previous levels, the office and hotel sectors are driving current commercial development in the city.

### Birmingham and job creation

The bridge between London and the regions in the recent economic downturn appears to have strengthened, with confidence in Birmingham and the other regional centres improving year-on-year. This has been reinforced by the commitment from HSBC earlier in 2015 when it announced the relocation of its UK retail operations to the new Arena Central development. This was in addition to High Speed Two announcing the largest ever public sector relocation to Birmingham when it agreed to occupy Two Snowhill. Both the HSBC and High Speed Two relocations are estimated to create around 2,500 jobs alone.

The prospects for further job creation in Birmingham remains positive, buoyed by the £275m from the Birmingham City Centre Enterprise Zone Investment Plan. The Enterprise Zone comprises 26 sites across the city centre with 14 million sq ft of new floorspace and 40,000 private sector jobs anticipated to be created. The investment plan timeline stretches until 2023, with significant growth opportunities identified in some of the following areas:

- Snow Hill District;
- Eastside;
- Digbeth Creative Cluster;
- Birmingham Science Park Aston; and
- Jewellery Quarter.

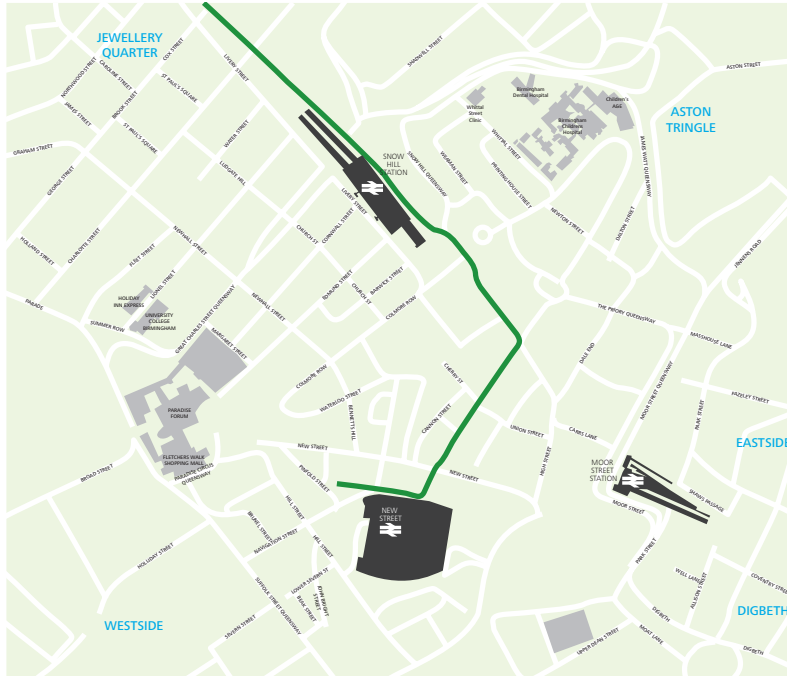
### Connecting Birmingham at a local, national and international level

Further improvements at Birmingham airport, substantial investment in New Street Station and the extension of the tram through the heart of the city have all helped the City improve connectivity. The arrival of High Speed Two will provide stimulus for further growth and inward investment in the Birmingham market.

High Speed Two is expected to create more jobs once completed and provide opportunities for greater investment in the West Midlands region. Phase One of the scheme is set to provide a high speed rail line connecting Birmingham and London, reducing the journey time to 49 minutes. The first phase is targeted for completion in 2026. Following this, Phase Two is set to provide a high speed line connecting Birmingham to other major regional cities including Manchester and Leeds.

Birmingham City Council has also invested in extending the tram facility to increase manoeuvrability within the city. A new route now links Snow Hill and New Street Station, via Bull Street and Corporation Street. Further phases are planned to connect the existing line to the Paradise development and on to Five Ways and Edgbaston with long term ambitions to connect the Airport.

In terms of aviation, Birmingham Airport is currently ranked 7th in the UK in terms of total passenger numbers and continues to increase year on year. The airport continues to support the local economy and recently commenced daily flights to India, which provides the most foreign investment from outside of London.



New tram line extension

### Investors look towards the regions

2015 has been a superb year for Birmingham with a steady flow of good news stories. The initial phases of Paradise and Arena Central and demolition of the former NatWest tower have all commenced and this has stimulated more optimism and interest in the market. The inward investment will bring a great stimulus to the city and as new jobs are created we will see a positive and immediate knock on effect in the private rented sector, hotels, bars and restaurants in the vicinity.

Investors have increasingly looked towards the regions to find higher yielding assets offering better value for their money compared to London with real prospects of continued rental growth.

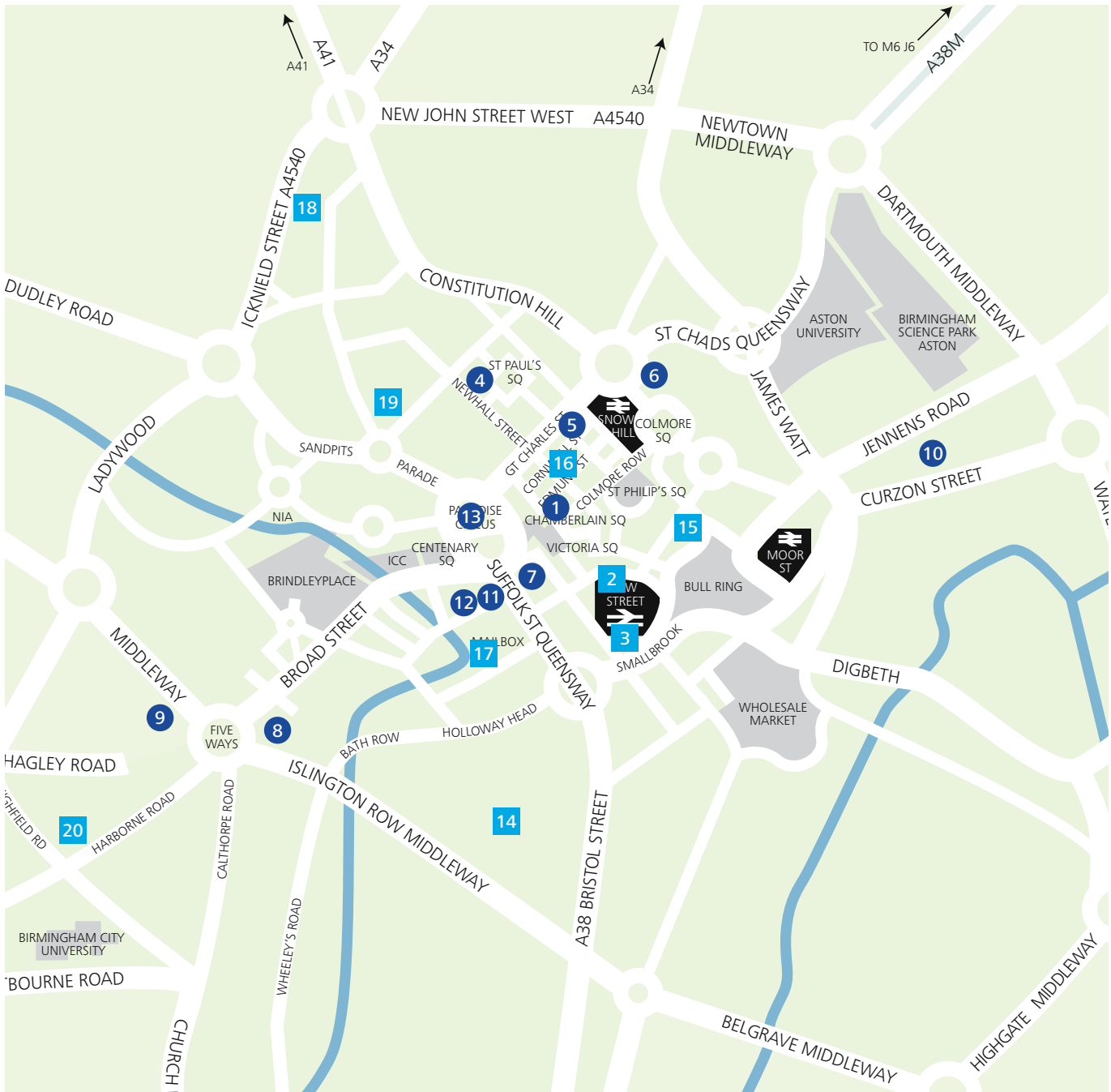
With initiatives such as the Birmingham City Centre Enterprise Zone Investment Plan, Birmingham City Council is continuing to drive the city forward. The Council and Marketing Birmingham have worked hard to increase the attractiveness of Birmingham to inward investors and occupiers. Their commitment to schemes such as the new Library and New Street Station through the dark years of the recession are now paying dividends as developers from the private sector feel more confident to take on risk and invest in speculative development.

# Development table

# Development table

| No.                                           | Name/address                                         | Developer                                          | Main use              | Total size<br>sq ft/units | Completion<br>date | Comments                                                                                                                                                                                                                         |
|-----------------------------------------------|------------------------------------------------------|----------------------------------------------------|-----------------------|---------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>City Core – Under Construction</b>         |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 1                                             | 55 Colmore Row                                       | IM Properties                                      | Office                | 160,000 sq ft             | 2016               | Redevelopment of the 19th century Grade II listed building to provide Grade A office accommodation due to complete in Autumn 2016.                                                                                               |
| <b>City Core – Completed</b>                  |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 2                                             | Grand Central, Birmingham New Street Station         | Network Rail/<br>Birmingham City Council           | Retail                | 155,000 sq ft             | 2015               | Opened Sept 15                                                                                                                                                                                                                   |
| 3                                             | John Lewis, Stephenson Street                        | Network Rail                                       | Retail                | 250,000 sq ft             | 2015               | Opened Sept 15                                                                                                                                                                                                                   |
| <b>City Centre – Under Construction</b>       |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 4                                             | Assay Office building                                | TCN                                                | Office                | 30,000 sq ft              | 2016               | TCN plan to carry out a refurbishment of the existing space into new office accommodation. In addition, phase two of the scheme will involve the development of a residential block of apartments on the existing car park site. |
| 5                                             | Two Cornwall Street                                  | Bruntwood                                          | Office                | 110,000 sq ft             | 2016               |                                                                                                                                                                                                                                  |
| 6                                             | Lloyd House                                          | Wilmott Dixon                                      | Office                | 105,000 sq ft             | 2016               | Refurbishment of the existing West Midlands Police HQ. The project which will see internal refurbishment and changes to the façade is underway.                                                                                  |
| 7                                             | The Beneficial Building                              | Gethar Ventures                                    | Hotel                 | 137 rooms/53 apartments   | 2016               |                                                                                                                                                                                                                                  |
| 8                                             | Park Regis, Five Ways                                | Seven Capital                                      | Hotel                 | 253 rooms                 | 2016               |                                                                                                                                                                                                                                  |
| 9                                             | Broadway, Fiveways                                   | Seven Capital                                      | Residential           | 600 units                 | 2016               |                                                                                                                                                                                                                                  |
| 10                                            | Eastside Locks                                       | Goodman/<br>Alumno<br>Developments                 | Student accommodation | 650 bedspaces             | 2016               |                                                                                                                                                                                                                                  |
| 11                                            | Arena Central – Phase 1                              | Miller Developments/<br>Pro Vinci Asset Management | Office                | 210,000 sq ft offices     | 2017               | The scheme is planned to accommodate 10 buildings including 670,000 sq ft of Grade A office accommodation. HSBC have already committed to take 210,000 sq ft of office space.                                                    |
| 12                                            | Arena Central – Phase 1                              | Miller Developments/<br>Pro Vinci Asset Management | Hotel                 | 250 rooms                 | 2017               | Holiday Inn Express have committed to operate a new 250 room hotel on the south of the site from 2017.                                                                                                                           |
| 13                                            | Paradise - Phase 1                                   | Argent/Hermes Real Estate                          | Office                | 354,000 sq ft             | 2018               | The development has been split into three phases which will be developed over a 20 year period. The scheme will provide a mixture of office, retail and leisure accommodation within the city centre.                            |
| <b>City Centre – Completed</b>                |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 14                                            | Central Plaza, Park Central                          | Crest Nicholson                                    | Residential           | 132 units                 | 2013               |                                                                                                                                                                                                                                  |
| 15                                            | One Martineau Place                                  | Cannock Developments                               | Hotel                 | 168 rooms                 | 2013               |                                                                                                                                                                                                                                  |
| 16                                            | Enterprise House, Edmund Street                      | Hortons                                            | Office                | 13,376 sq ft              | 2013               |                                                                                                                                                                                                                                  |
| 17                                            | The Mailbox                                          | Milligan/<br>Brockton Capital                      | Retail                | 300,000 sq ft             | 2015               | The Mailbox has undergone a £50 million refurbishment which has included adding a roof and expanding the Harvey Nichols anchor store.                                                                                            |
| <b>Jewellery Quarter – Under Construction</b> |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| <b>Jewellery Quarter – Completed</b>          |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 18                                            | The Mint, Icknield Street                            | Raybone Developments                               | Residential           | 224 apartments            | 2014               |                                                                                                                                                                                                                                  |
| 19                                            | University College Birmingham Campus, Holland Street | University College Birmingham                      | Education             | 82,000 sq ft              | 2015               |                                                                                                                                                                                                                                  |
| <b>Edgbaston – Under Construction</b>         |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| <b>Edgbaston – Completed</b>                  |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| 20                                            | Phase 2 Highfield Gardens                            | Taylor Wimpey                                      | Residential           | 33 apartments             | 2013               |                                                                                                                                                                                                                                  |
| <b>Digbeth – Under Construction</b>           |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |
| <b>Digbeth – Completed</b>                    |                                                      |                                                    |                       |                           |                    |                                                                                                                                                                                                                                  |

Red text indicates a new start



● Under construction ■ Completed

# Contacts

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