



Overview

- With a population of nearly 1 million people in the city and 6 million living within 50 miles of the center, Birmingham is the largest of England's core cities.
- Birmingham is the UK's second city and largest financial center outside of London.
- Employing over 100,000 people in the industry, Birmingham is an important manufacturing and engineering center. It contributes billions of pounds to the national economy, and it originates over a quarter of the UK's exports.
- Through highly effective diversification, Birmingham is transforming itself into a major center for telecommunications, information technology, and the development of knowledge-based industries.
- It is estimated that there is in excess of US\$21.5 billion worth of investment planned over the next 10 years, with over US\$17.4 billion worth of investment planned or underway in the city center alone.



Office Market

- Birmingham is one of the cheapest cities in the UK in terms of office occupation costs at approximately US\$70.82/sq ft/ year. This rate is much lower than those of nearby London and Manchester at US\$202.08 and US\$79.32, respectively.
- Availability of new Class A space continues to decline in the face of consistent demand and almost complete lack of new supply.
- Demand came mostly from the financial and services sector, which accounts for over two thirds of take-up in Birmingham during 2005.
- Take up of office space in the city center totaled 446,000 square feet for 2005.
- Due to the lack of new Class A office supply, demand for quality refurbished office space has seen increased demand, with some now attracting rents almost equivalent to those achieved on Class A space.

Office Net Rental Rates (US\$/Sq. ft./Month)		
City Center Office	Low	High
Class A (Prime)	\$3.42	\$4.05
Class B (Secondary)	\$1.48	\$2.96
Suburban Office	Low	High
Class A (Prime)	\$2.81	\$3.39
Class B (Secondary)	\$2.20	\$2.74



Selfridges department store in the Bullring shopping complex.

Retail Market

- Europe's largest city center retail regeneration scheme is the Bullring mall at 1.2 million square feet of retail space. At a cost of US\$1.5 billion, it contains a whole host of new shops that attracts around 20 million customers a year.
- Some other popular shopping streets and areas in Birmingham include New Street, Corporation Street, Caxtongate Street and the Pavilion Central.
- Birmingham is the highest rented center in the Midlands with its high Zone A rental rates.
- From 1995-2005, the city's retail market experienced 86% in rental growth.
- In beginning of 2006, Birmingham's out-of-town retail take-up was around 943,000 sq ft, which was a 41% increase from 2005.

Retail Rental Rates (US\$/Sq. ft./Month)		
Location	Low	High
City Center (Zone A)	\$22.10	\$47.86
Retail Units in Parks	\$2.22	\$8.84
Community Power Center (Big Box)	\$1.70	\$4.42

Some multinationals in Birmingham:

- | | |
|--------------------------|-------------------|
| • PricewaterhouseCoopers | • Hitachi |
| • Deloitte & Touche | • Hewlett Packard |
| • Goodyear Dunlop | • Oracle |
| • HSBC | • Nestle |
| • IBM | • Ford |
| • Fujitsu | • NEC |

Industrial Rental Rates (US\$/Sq. ft./Month)		
Type	Low	High
Bulk Warehouse	\$0.63	\$0.94
Manufacturing	\$0.63	\$0.81
High Tech/R&D	\$0.74	\$0.92

Industrial Market

- With its strong research base, Birmingham can offer a number of world-class facilities. Some business and science parks include:
 - Aston Science Park*- occupies 22 acres adjacent to Aston University, offering the benefits of University expertise and business support services. The National Exhibition Centre (NEC) and Birmingham International Airport are approximately 10 miles south west of the park.
 - Birmingham Business Park*- Adjacent to Birmingham International Airport
 - Birmingham Research Park*- Under 3 miles from city center
 - Gravelly Industrial Park*- Adjacent to junction 6 of the M6 motorway, 2 miles from city center
 - Gravelly Industrial Park*- 2 miles from city center
 - Network Park*- Approximately 1 mile to the north-east of city center
- Demand for large centers in excess of 100,000 sq ft is mainly driven by retailers and third party logistics companies.
- The largest brownfield development site in the Midlands is "The Hub", which is 3 miles from Birmingham's city center.
- With more than 80 acres, The Hub caters to office units of 40,000 sq ft to logistics and distribution warehouses up to 1 million sq ft, making it the only development in the region offering this flexibility and size.

Typical Leases

- Standard Lease Term: Historically, leases in the UK have been long in length from 20 to 25 years. In the past 10 years, a greater level of flexibility can be obtained with normal lease lengths being between 5 and 15 years and with "options to break" built in.

Typical Leases continued

- Options to Break: These are likely to be at five yearly intervals and will be subject to notice period of between 6-12 months. In certain circumstances, depending upon the market conditions, some breaks will be subject to a penalty clause of between 6 and 12 months' rent and may affect the incentives that can be negotiated.
- Review / Indexation: Rents are normally reviewed at 5 yearly intervals and are based upon open market rent. Rents rarely reduce at rent review dates due to tight clauses within the lease.
- How rental information is expressed: Rent per square foot per annum.
- Method of measurement: Space is expressed in terms of net internal floor area, excluding common parts, lifts, toilets, etc. This needs to be accounted for when calculating a tenant's spaces needs.
- Rent Payment: Typically, quarterly payments in advance.
- Bank Deposit / Guarantee: 3-12 months is normally requested, depending on the lease terms and the specific tenant. Alternative forms
- Services included in the rent: Landlord is responsible for the structural repairs to the building, which will be recharged to the tenants through the service charge together with costs related to the management and maintenance of the common areas in multi-occupied buildings.
- Additional Charges to Tenants: Tenants are responsible for internal repairs, utilities, cleaning, etc.
- Self Contained Buildings: In the event that a company leases an entire building then the lease will be a "full repairing and insuring", requiring the tenant to take full responsibility for the structure and services of the building.
- Dilapidation / Restoration: UK leases contain stringent dilapidation / restoration clauses requiring a tenant to return the accommodation to the initial leased condition.

Additional Costs

- Service Charges: Typically they run between \$1 and \$1.50 per sq ft per month. This will include a contribution to the costs of the overall maintenance of the building.
- Taxes: As a guide, property taxes (known locally as "Rates") will equate to 40% of the rental value. These tend to be re-valued by the Government every 5 years.
- VAT: All the aforementioned costs will be subject to VAT at the prevailing rate which is presently 17.5%.
- Legal Fees: Charged on an hourly basis or fixed by agreement.

Office Accommodation

- Office accommodation is typically handed over in a "Class A" finish.
- The office accommodation will be finished with the following:
 - Suspended Ceilings
 - Light Fittings
 - Raised Floor
 - Carpet
 - Computer Floor Boxes
- The common areas, reception, toilets, staircases, etc. will be completed throughout and the services to the office areas "tapped" off at the entrance to the office accommodation. The exact configuration will depend on the size and layout of the floor plates.



Birmingham City Center - Holloway Circus Tower, also known as Beetham Tower

Labor

- Financial and business services will continue to be the leading driver of employment growth in the city.
- Birmingham has three universities including:
 - Aston University
 - University of Birmingham
 - University of Central England
- There are also six nearby universities within one hour's drive of Birmingham, enrolling over 165,000 students and producing over 43,000 graduates each year.
- As of 2005, the UK's unemployment rate stands at a mere 4.7%.



Spaghetti Junction in Birmingham

Infrastructure/Transportation

- The city, with its strategic position at the center of the motorway and rail networks, benefits from good transport facilities.
- The city center is a nationwide hub for National Express Coaches and also has an extensive bus service that operates 24-hour services throughout the city.
- Birmingham has three mainline train stations and the Midlands Metro light rail transport system.
- Birmingham International Airport offers 40 direct destinations worldwide, and it is also one of the UK's fastest growing airports, having handled over 9.3 million passengers in 2005.
- Gravelly Hill Interchange, known as 'Spaghetti Junction' is the largest motorway intersection in the country. It connects the M6 north and south to the M1, the M5 and the A38M into Birmingham city center.

OUTLOOK 2006

- Rental rates for Birmingham's office market are expected to increase as demand remains healthy.
- Rents for the new Baskerville House, near Centenary Square, is already quoting £30.00 (approximately US\$57) per sq ft per year, an increase from the city's average of £27.50 rate of quite some years.
- Some new developments in the pipeline that will inject fresh supply into the office market by 2006-2007 include:
 - Colmore Plaza, 307,000 sq ft
 - Baskerville House, 200,000 sq ft
 - Temple Point, 66,989 sq ft
 - Snowhill Plaza, 313,000 sq ft
- Industrial rental rates are expected to increase in the short term due to the continued lack of supply and strong demand.
- The retail market in Birmingham is expected to stabilize in the short term.

Short Term Outlook

Rental Rates	
Office	↑
Industrial	↑
Retail	→