



# Contents

Foreword	01
Development snapshot	02
Key findings	03
Residential	04
Office	10
Student, education and research	14
Hotel, retail and leisure	18
Development map	22
Endnotes	24
Contacts	25

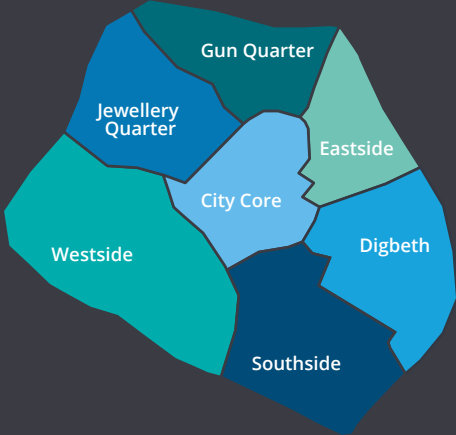
**Why?**  
A report that measures the volume of development taking place across Birmingham City Centre and its impact. Property types include residential, office, hotel, retail and leisure, student accommodation, education and research facilities and healthcare.

**Where?**  
Birmingham City Centre encompassing those areas largely within the outer ring road including Eastside, Westside, Southside, Digbeth, Jewellery Quarter and Gun Quarter.

**What?**  
Developers building new schemes or undertaking significant refurbishments exceeding any of the following sizes: office – 10,000 sq ft; retail and leisure 10,000 sq ft; residential property – 25 units; education and research facilities and healthcare – 10,000 sq ft; hotel – 35 rooms.

**When?**  
Data for the Crane Survey was recorded between 11 January and 13 December 2019.

**How?**  
The Regional Deloitte Real Estate team has monitored construction activity and planning permissions granted over a number of years, supplemented by rigorous field research. This research has been verified by industry contacts and in-house research teams.



# Foreword



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During the last year we recorded 11 major new developments commencing within Birmingham City Centre. Whilst there is evidently a huge amount of construction activity ongoing around the city this figure is significantly below the two previous years where we recorded 23 and 24 respectively. Of the 11 new starts seven sites are large scale residential schemes and four are offices. There were no new retail, leisure or hotel schemes started in 2019.

The construction period for most city centre sites is typically between two and three years and it's evident that activity levels remain high. It will take a year or so to know whether 2019 was a short-lived dip or if it marked a more significant change. In many ways it's hardly surprising that new starts fell back as the industry grappled with the uncertainty surrounding Brexit coupled with tougher economic conditions, increasing costs and pressure on margins. However, our most recent CFO survey underlines the marked increase in sentiment and optimism linked largely to more political certainty around the year ahead.

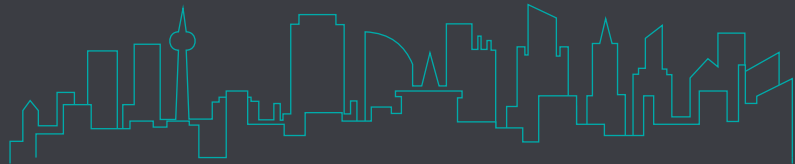
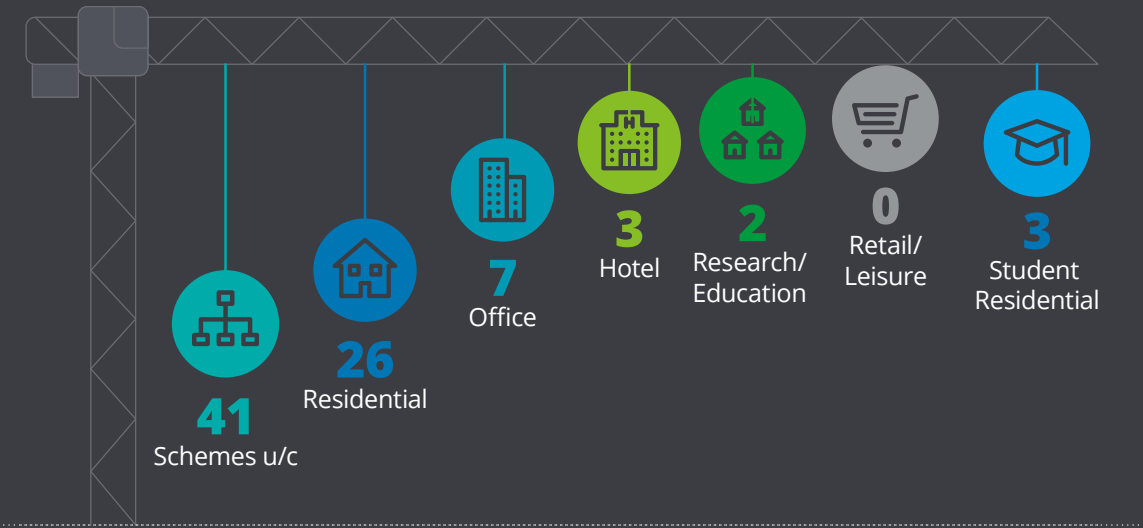
Beneath the headlines, Birmingham's real estate market continues to attract interest from national and international investors and developers. Previous reports have highlighted the attractiveness of the city for relocations and consolidations.

As work continues on the new OGP hub at Arena Central the city looks forward to BT taking occupation of 3 Snow Hill, the largest single office letting in Birmingham securing a reported 4,000 jobs. In response the pipeline for residential development is strong and expected to deliver over 3,000 more new homes in 2020.

As pressure grows in the city core it's inevitable that designers look to maximise scarce land by pushing up higher. A look back at the volume of recent planning applications underlines how keen developers are to change the horizon. Yet as the city succeeds in achieving growth, attracting new business and being a place where people want to live the need for buildings to be sustainable and pollution to be minimised increases. The year ahead will see important changes being implemented which have already started to influence design, change travel plans and promote a cleaner environment. Whilst some of this may be difficult in the short term it's absolutely essential for success.

Only time will determine whether 2019 was just a blip in development activity or something more permanent however we can confidently say that the developers were not deterred and throughout the year they carried on building.

# Development snapshot

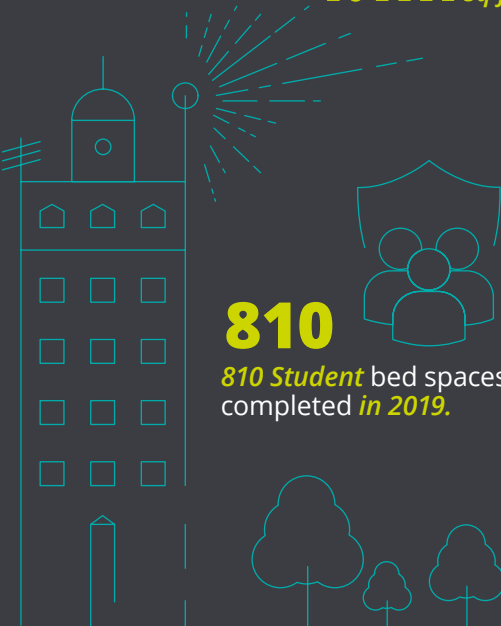


**775k** *sq ft* of office completed in **2019**.

**1.1m** *sq ft* under construction.

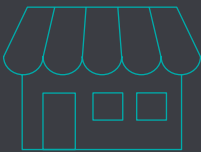
**2019**

No major new retail, leisure or hotel schemes were started in 2019.



**810**

**810 Student** bed spaces completed in 2019.



**443**

**hotel spaces** under construction.



**11**

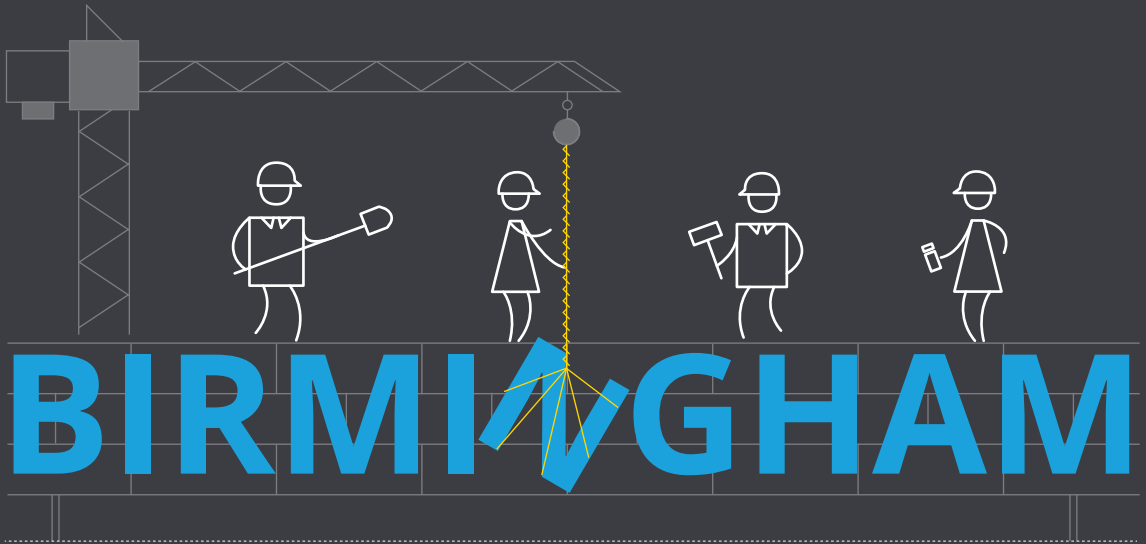
**new schemes** started in the city in 2019.



**5,506**

**residential units** under construction.

## Key findings



There are **26 major** residential schemes under construction, delivering **5,506 units**. **1,001** were completed **in 2019**.



**2019** saw **41** schemes under construction compared to **38** the previous year.



2019 was a record year for construction of office space with over **775,000 sq ft** being delivered. This is **250,000 sq ft** more than the previous record.



No new hotels were started in Birmingham city centre **in 2019**, but three schemes are due to deliver **375** new rooms **in 2020**.



Student housing is set for a record **2020**, with **1,857 units** to be delivered.



Pre-letting of offices remains strong with **53%** of space currently under construction being pre-let.



Eleven major new schemes started across Birmingham City Centre **in 2019** – seven residential and four new office developments. The seven residential schemes are set to deliver **941 units** and the offices will add another **1.1m sq ft**.



# Residential



In 2019 seven major new schemes were recorded and 1,001 new units completed. This is well above the ten year average of 465 units and was the second highest total in the past decade.

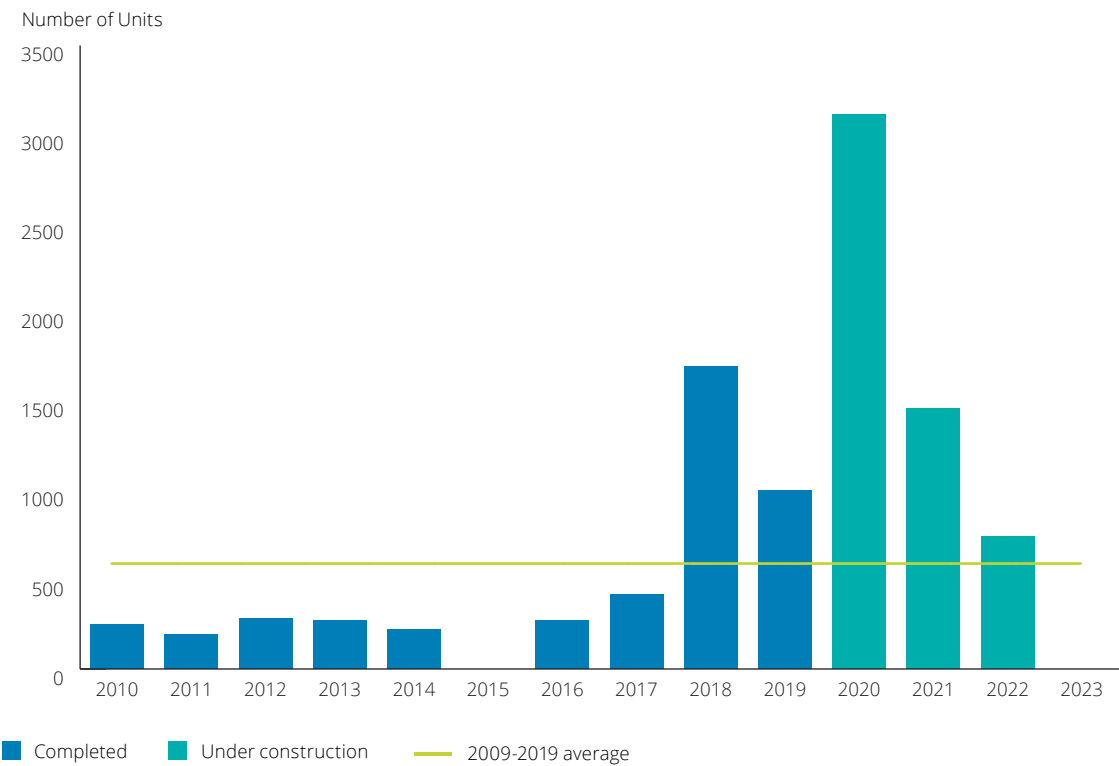
Initial predictions estimated that delivery would have been closer to 3,000 in 2019, however due to a drop in completions the supply pipeline is now bulging with around 3,100 expected to complete in 2020.

Reasons for the delays in delivery are difficult to pinpoint but include; shortage of skilled construction workers, higher cost of materials, the weather, re-planning of schemes and delays in financing.

Birmingham City Centre remains a destination of choice for developers and growth predictions remain strong.

The variety in terms of size and tenure is broad with considerable growth in the private rented sector (PRS) and the emergence of co-living.

Chart 1. Residential development pipeline



Source: Deloitte Real Estate

Residential development is spread across the city with three areas seeing the highest concentration. There are currently eight developments under construction in the Jewellery Quarter, totalling 891 units. Westside has seven schemes delivering 1,707 units and although Southside has only four schemes, there are 1,424 units under construction.

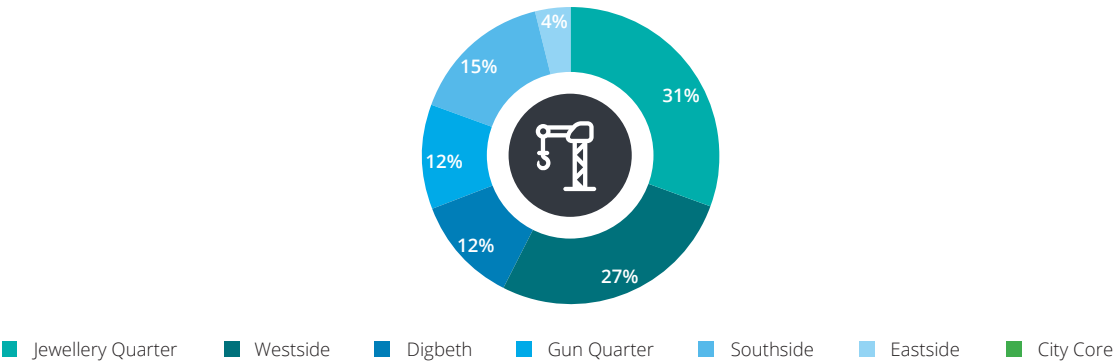
A notable new start in the residential sector is Snowhill Wharf comprising a 21 floor residential tower located in the Gun Quarter. This development is being bought

forward by the Berkeley Group and is one of the three new starts in the Gun Quarter.

The pipeline for supply of new residential is strong, with at least 22 major new developments identified as ready to start in the near future.

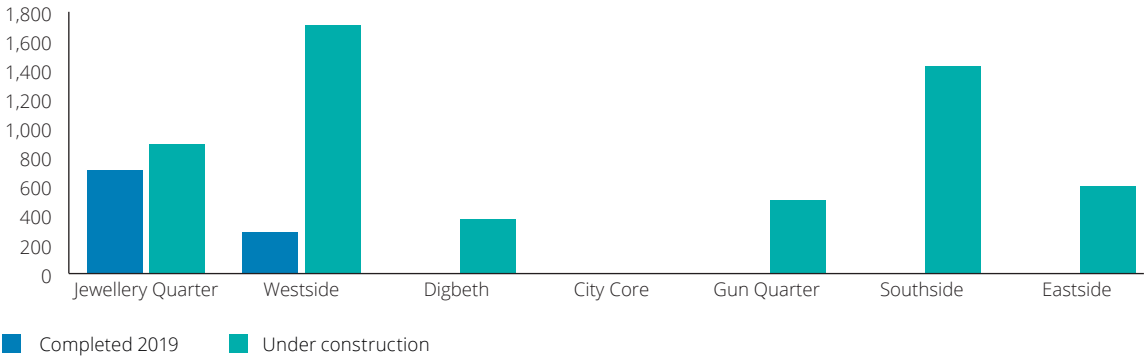
The city core has seen no development completed in 2019 and does not currently have any under construction in the residential sector. However, the city has seen a good spread of development in the Jewellery Quarter, Westside, Digbeth,

Chart 2. Units under construction in the each area



Source: Deloitte Real Estate

Chart 3. Delivery of residential units vs complete in 2019



Source: Deloitte Real Estate



Gun Quarter, Southside and Eastside. It would appear that the supply has been tilted towards high-end executive apartments. Some developers predict the possibility of oversupply in this sector since demand is concentrated on a lower price bracket both for rent and sale.

Demand from young professionals remains strong and the introduction of co-living schemes into the city will be vital for creating a range of apartment accommodation for Birmingham, catering especially to the increasing number of graduates keen to remain in the city post-qualification.

The development of B5 Central in Southside has helped to change the delivery profile away from luxury and executive apartments to more affordable and family housing communities in the city centre. Unique to the city is the development at St Luke's by Barratt to build 778 homes on a former college site.

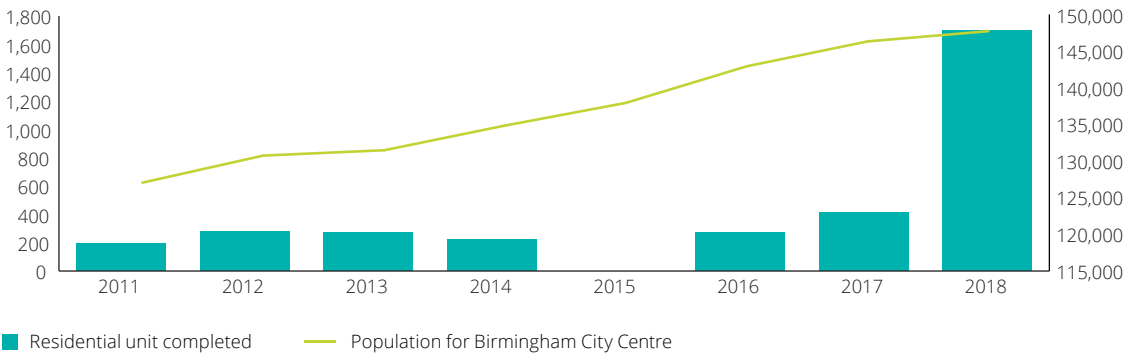
Over 150 three-bedroom homes will be built at St Luke's, and this has been cited by Birmingham City Council as fundamental to attracting and accommodating families near to the city centre. The multi-phase development will see 463 units delivering a mix of one, two and three-bed units, followed by phase two comprising 315 apartments.

The development of MCR's New Monaco scheme, close to the St Luke's development, will help to complete the repurposing of the Southside area of Birmingham.

One of the most notable PRS developments in the city is Moda Living's Zone2 tower. Started in late 2018, it will comprise 481 luxury apartments with a 200m running track on the roof. The development aims to create a new benchmark for luxury living in the Broad Street area.

At 42 stories it will be the tallest building in this area of Birmingham, although plans submitted for the opposite side of the city mean that it may only retain its title of tallest building for a short while.

**Chart 4. Number of residential units being developed in Birmingham City Centre against the rise in population between 2011 and 2018**



Source: Birmingham City Council<sup>1</sup>

# Office



In 2019 four new schemes were recorded, with 775,000 sq ft of new and refurbished office space delivered. This was a landmark year for office completions.

Our survey finds that 2019 has been a record year for office completions in the city centre. 775,000 sq ft of new and substantially refurbished office space was delivered with Three Snowhill, and One and Two Chamberlain Square the largest buildings.

One and Two Chamberlain Square form part of the new Paradise development and together they have provided 333,000 sq ft of new office space. One Chamberlain Square was pre-let in its entirety and Two Chamberlain Square is part pre-let.

Three Snowhill provides 420,000 sq ft of new office space close to Snowhill Station and the Midland Metro. Early in 2020, BT committed to 283,000 sq ft, with 4,000 of its staff being relocated into the building by the end of 2020. The letting is significant in terms of it being the largest speculative development to the city of Birmingham. The deal signifies the largest office deal ever in the city.

Good progress has been made on the 223,000 sq ft 103 Colmore Row building, set for completion in 2021, and the tower looks set to dominate this part of the city.

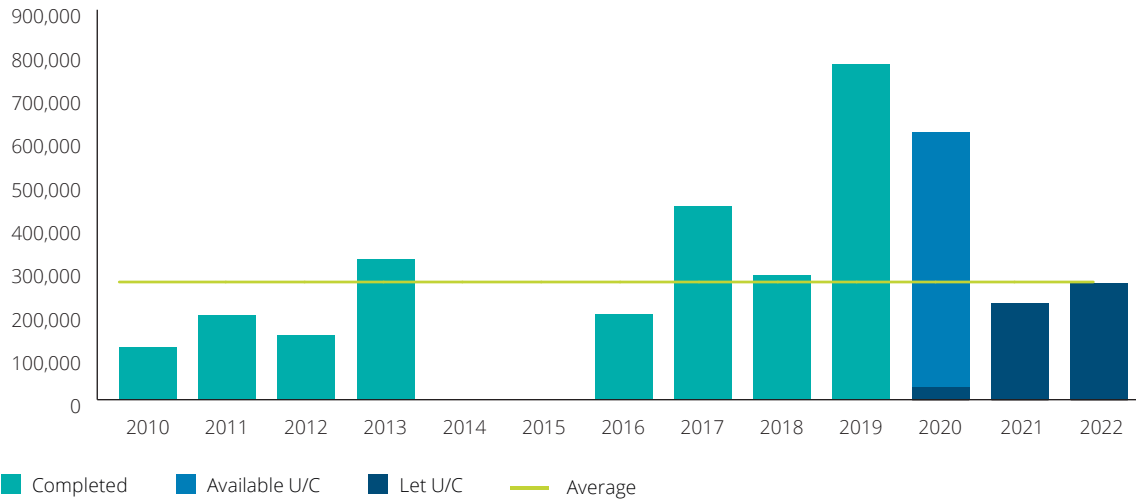
Whilst 2019 has been a landmark year for office completions, 2020 is likely to see the delivery of more than 600,000 sq ft. A substantial proportion of this space is already let, including the development of OGP's new Midland's hub, consisting of 240,000 sq ft within the Arena Central scheme.

Of the four new starts in 2019, three are major refurbishments of existing buildings. Two of these schemes are being undertaken for WeWork as they look to make a debut in Birmingham, adding to the growing amount of flexible workspace to meet the demand from businesses for shorter term arrangements and the ability to vary space requirements at very short notice.

The refurbishment of Louisa Ryland House in Newhall Street will see a boost to the immediate surrounding area as the offices should attract a wide range of SME tenants.

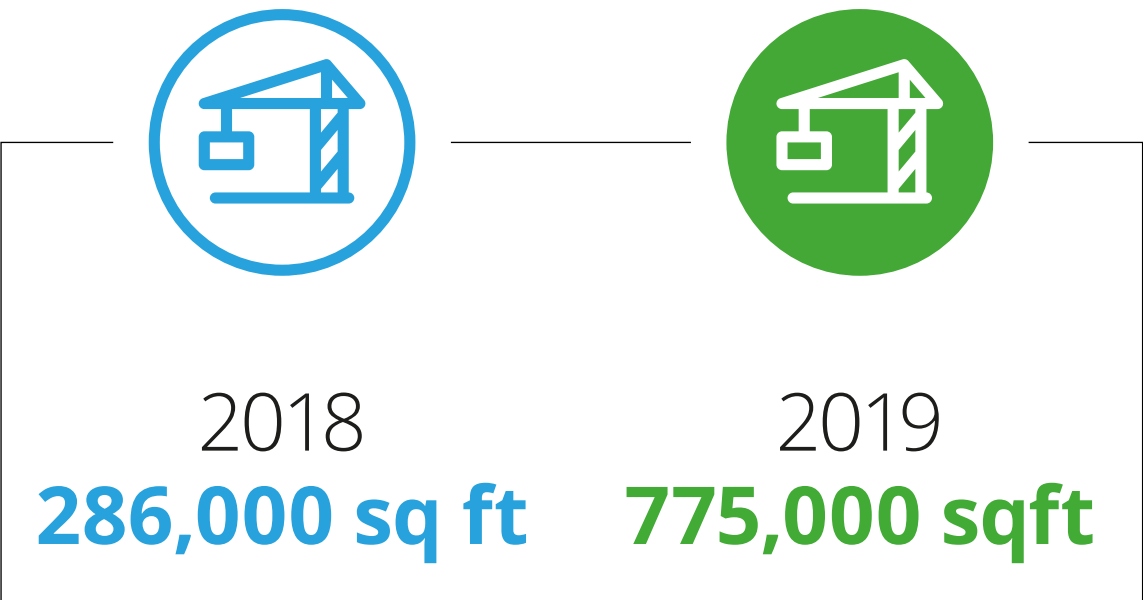
Construction has started on phase 2 of the Paradise development following the practical completion of the One and Two Chamberlain Square. One Centenary Square will offer 280,000 sq ft of office space to the market along with 500 bicycle storage spaces. The cycle storage will become Birmingham's first cycle hub, in line with the city council's Birmingham Transport Plan. The development is expected to be complete in Q3 2022.

Chart 5. Office development pipeline (sq ft)



Source: Deloitte Real Estate

Office development delivery 2018 vs 2019



Source: Deloitte Real Estate

According to the Birmingham Office Market Forum there were a total of 116 office lettings in central Birmingham amounting to a total take up of 780,095 sq ft over 2019. This exceeds the previous year and is above the ten year average. The private sector has broadly matched the public sector in terms of take-up of office space during 2019. The Government Property Agency has committed to 112,000 sq ft at Platform 21, Stephenson Square, which is currently undergoing a major refurbishment. This is in addition to the 240,000 sq ft currently being developed for the government at 3 Arena Central.

In terms of investment deals Birmingham continued to attract interest from UK funds and overseas investors. Two notable transactions included the sale of Priory Court and the Lewis Building to Gulf

Islamic Investments for a reported £149m and the acquisition of 11 Brindleyplace by Blue Noble for £37.75m.

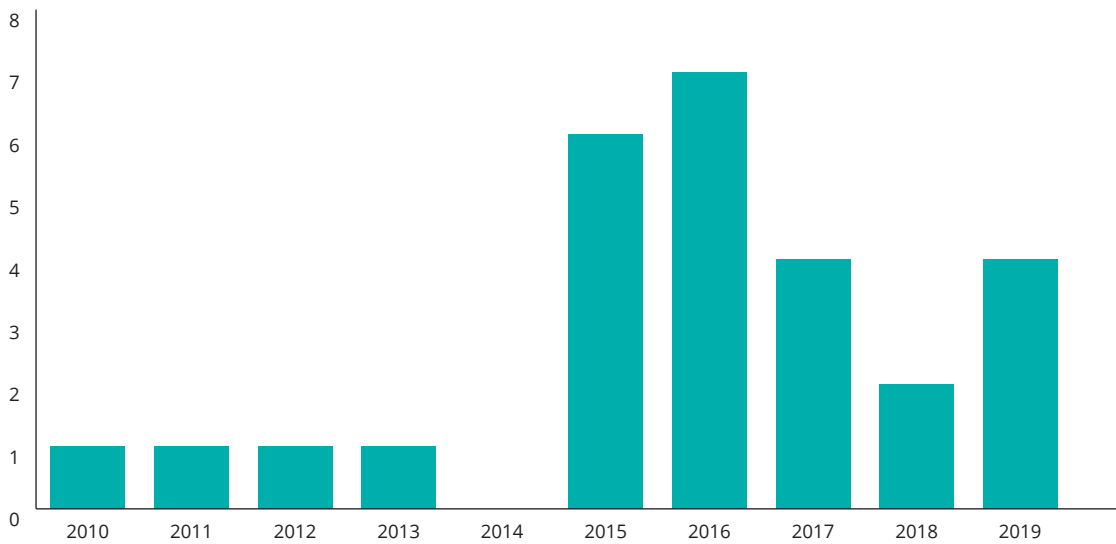
In total the UK Property Investors Bulletin<sup>2</sup> produced by PropertyData recorded £347m of deals across the City, up from £312m in the previous year. Further analysis of this data indicates that 41% of all office acquisitions in Birmingham over the past year have been by overseas investors. In terms of prime office yields our in house view remained broadly unchanged through the past year at around 4.75% for Grade A buildings let to undoubted covenants for a minimum of 10 years. A feature of the market throughout the year and expected to continue into 2020 is the shortage of stock available to potential buyers.

Investment in Birmingham office market 2018 vs 2019



Source: The Property Investors Bulletin<sup>2</sup>

Chart 6. Number of new office starts



Source: Deloitte Real Estate

According to Savills,<sup>3</sup> Birmingham now has one of the highest graduate retention rates in the UK at 49%. The city is also recognised as one of the best locations for start-ups particularly in technology, health and life sciences, and TMT. It is estimated that there are 13,000 technology businesses in the city employing over 105,000 people and this number is expected to grow considerably over the next five years.<sup>3</sup>

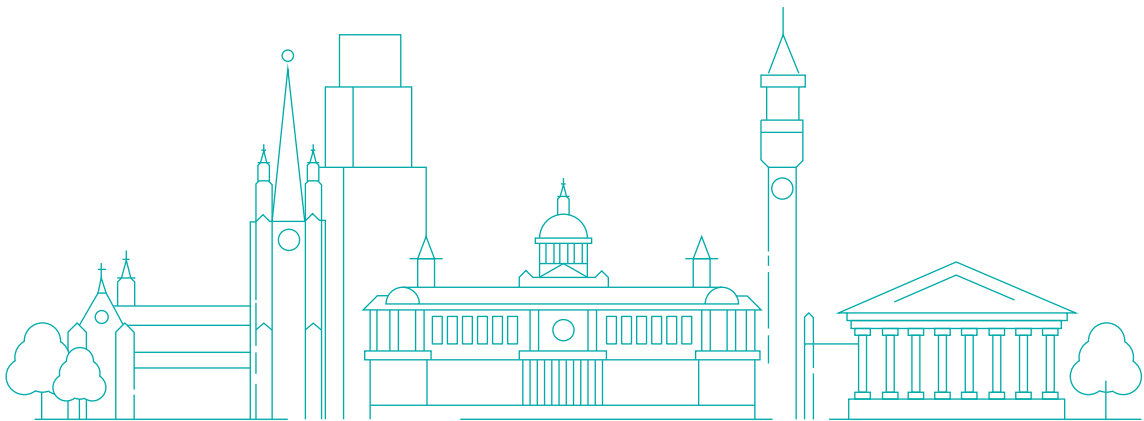
The improved graduate retention rate has helped to anchor both the private and public sectors in Birmingham, with local government organisations in the process of developing and occupying an increasing amount of office space in the city. The consolidation of various teams and government departments is part of a drive to reduce expenditure and move more civil servants away from Whitehall. The government hub in Birmingham will host around 5,200 civil servants.

Whilst the full impact of Brexit is yet to be understood, the city has remained resilient with no hard evidence of a negative impact. Arguably the volume of pre-letting activity and take up of residential property has improved as confidence in the future of the city has increased. The question mark over the future of HS2 has caused concern amongst business but the community appears confident that it will eventually be delivered and that the impact will unquestionably be positive for the city.

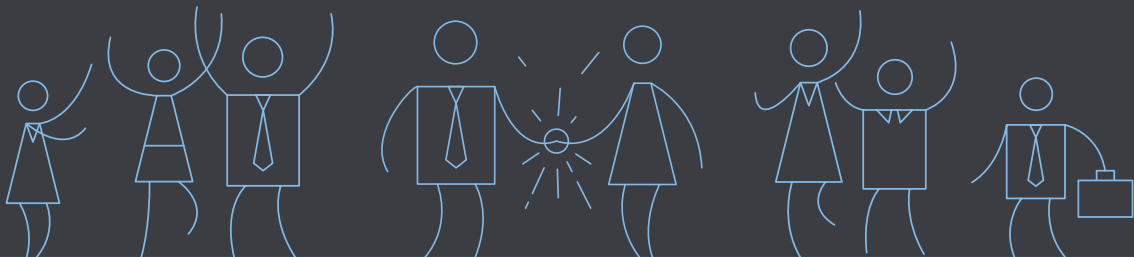


The Deloitte CFO survey<sup>4</sup> highlighted Brexit as the biggest concern on the horizon for business in 2019, causing investment decisions to be delayed or deferred. This may have had a knock-on effect for developers who may have paused before committing to new projects. However, following the general election early indications are that new development activity in the city centre should continue and may possibly increase through 2020.

Birmingham produces on average 25,000 graduates a year. The retention of graduate talent is important for the city, creating jobs and attracting outside investment. It is estimated by the West Midlands Combined Authority that the technology industry will increase the number of jobs in Birmingham by 20% between 2019 and 2025.



# Student, education and research





In 2019, 810 new student bed spaces were completed in Birmingham City Centre. This is just above the ten year average and well below the level achieved in 2018. However, 2020 looks set to become a record year for student housing completions with an estimated 1,850 new students beds becoming available.

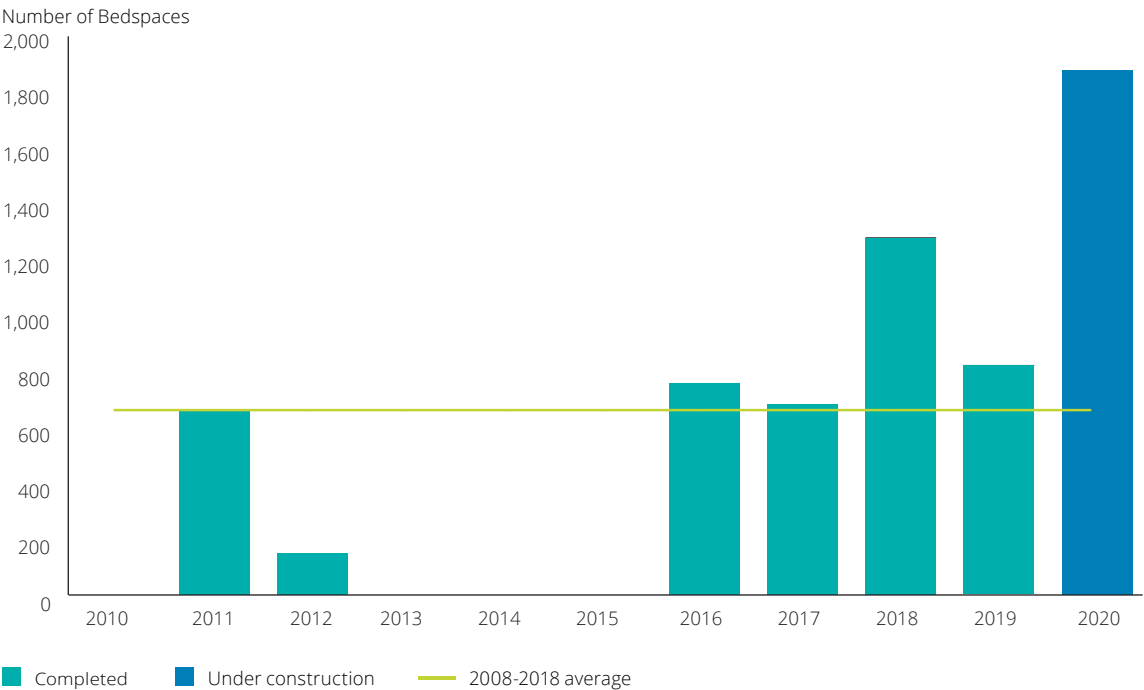
More than half of the new spaces are being provided at Lancaster Circus, a 1,023-bed scheme that will offer leisure and dining facilities. Two other major schemes are in Upper Dean Street and Bath Row. However there are other developments outside the survey's search area in the city centre.

Average price of a student bedroom (£ per calendar month)<sup>5</sup>



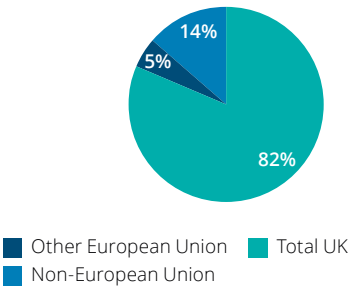
Source: Mojo Mortgages<sup>5</sup>

Chart 7. Student housing development pipeline



Source: Deloitte Real Estate

Chart 8. Total Birmingham student population (2018) (HESA)



Source: Higher Education Statistical Agency Data<sup>6</sup>



Birmingham continues to attract students, both from the UK and internationally. It is estimated by the Higher Education Statistical Agency<sup>6</sup> that in 2018 there were 81,000 students in the city. International students represent 18.5% of the total student population and tend to demand higher-end facilities close to the city centre.

Some universities and colleges have continued to invest in their educational facilities. Aston University for example provided 25,940 sq ft of new space. The new students’ union replaced the previous 1960’s facility with a purpose built area comprising café, bar, social space, media room, rehearsal room and office space.

The University of Birmingham has begun a refurbishment of 3 Centenary Square at Arena Central. This is due to complete in 2021 and the 55,000 sq ft building will provide an education hub, performing arts centre and business spaces.

The Moss House development will provide 140,000 sq ft of education space for the university in the centre of Birmingham in a new building housing the Student’s Union, sport facilities, 17 classrooms and three, 100-seat lecture theatres, along with break-out areas and exhibition space.



140,000 sq ft  
Moss House



55,000 sq ft  
3 Centenary Square



25,943 sq ft  
Aston University Student’s Union

With the high graduate retention rate, the student population in Birmingham increasingly sees the city as a place for their future careers.



# Hotel, retail and leisure



Our survey found that for the second year running there were no new hotel completions in 2019. However, 468 new rooms are expected to be delivered in 2020.

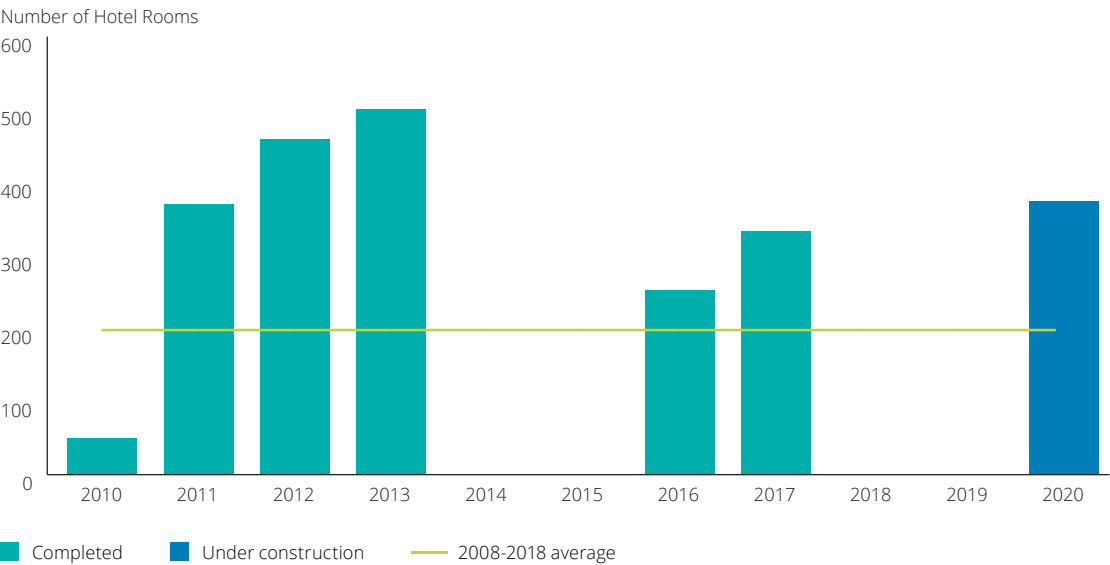
The Grand Hotel refurbishment is set to complete in 2020 with 180 rooms and the facility is expected to include a rooftop infinity pool. The much anticipated redevelopment by Horton's Estate and hotel company Principal includes ground floor retail in the Grade II listed building and will undoubtedly attract considerable interest when it opens.

The Royal Angus hotel has undergone extensive refurbishment by the DoubleTree brand of the Hilton Group. The hotel is also being extended with the provision of 93 rooms, and a roof-top terrace and plant room.

As part of the Unite Union headquarters development in Eastside, 195 hotel rooms will be delivered, as well as conference facilities for up to 1,000 delegates. The scheme, located close to Birmingham Science Park, is expected to be open in September 2020.

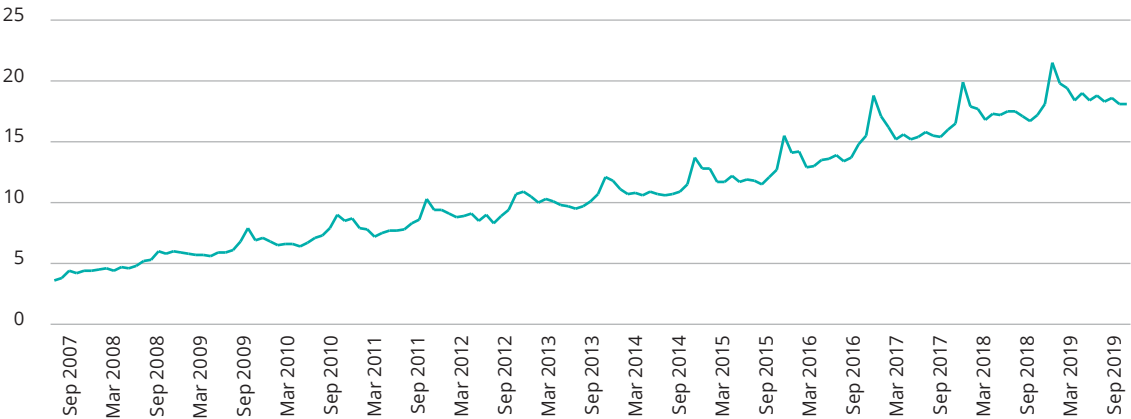
As the Commonwealth Games approach in 2022, it is expected that further hotel developments will be needed to meet demand, although it is likely that many will be outside our city centre search area. Average prices for hotel rooms increased by 5% in 2018<sup>7</sup>, and with the shortage of new hotel rooms delivered to the market it is expected that prices will continue to rise.

Chart 9. Hotel development pipeline



Source: Deloitte Real Estate

Chart 10. UK internet sales as a % of total retail sales



Source: The Deloitte Consumer Tracker<sup>8</sup>

In retail the completion of the new Primark store at the start of 2019 was the only major retail development in the city centre. Despite the slight delay to the opening, the 150,000 sq ft flagship store provided a boost to the otherwise gloomy retail sector. Widespread press coverage and reports of coach trips from far afield to the new store helped to promote retail in Birmingham, but otherwise most reports through the year focussed on CVA's, closures and downsizing. The inexorable rise of internet based sales (as illustrated in the chart above) helps in part to explain why owners and developers are focussing

on repurposing secondary retail property rather than adding to the supply.

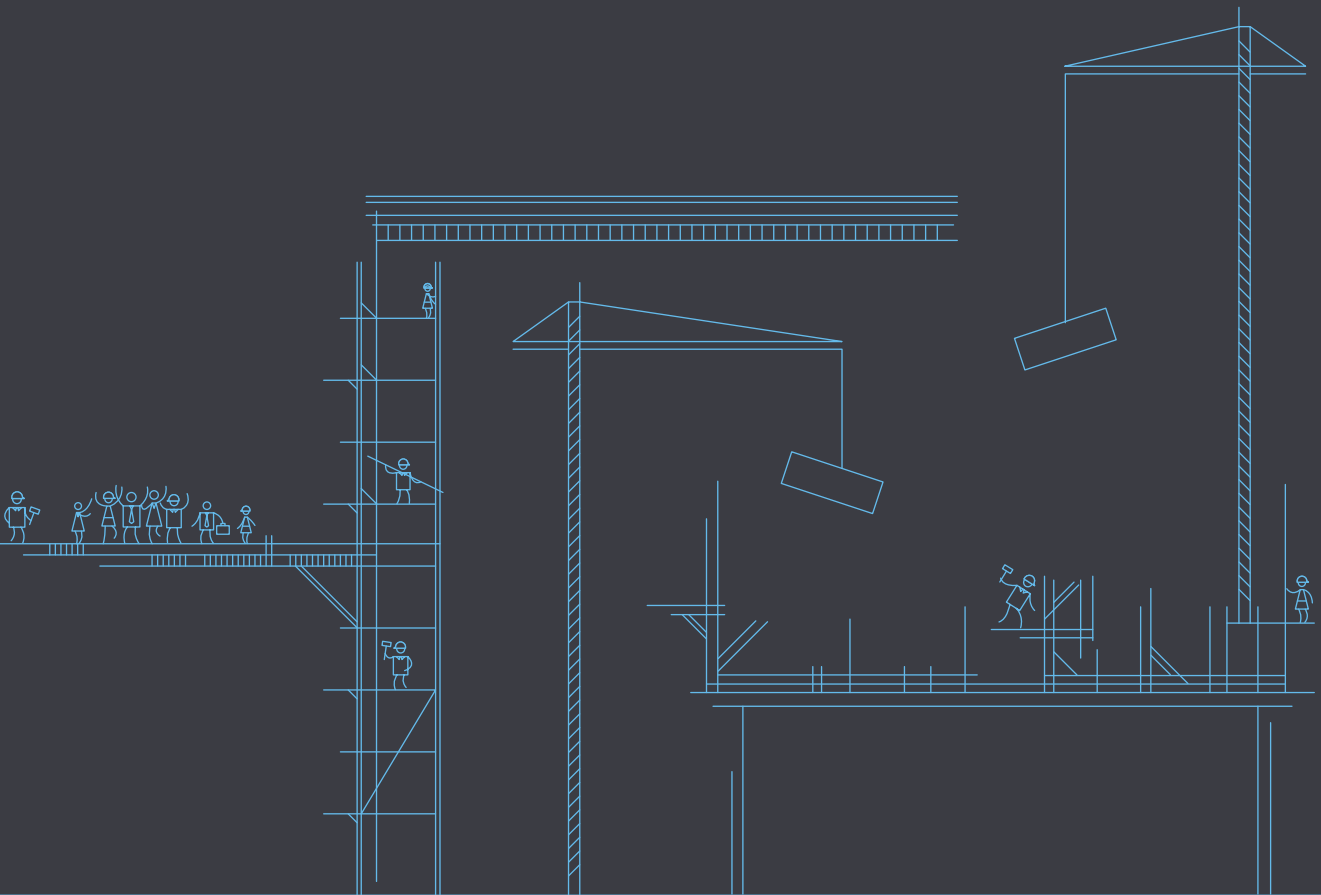
Mixed use schemes provide the only evidence of new retail development, with purpose built ground floor units attracting interest from the restaurant and leisure sectors as demonstrated at Exchange Square and Paradise.

In the leisure sector, completion of work at the Birmingham Hippodrome was the only major completion in the sector in 2019. The 7,265 sq ft extension comprises a new Dance Hub at the theatre on Heath Street.



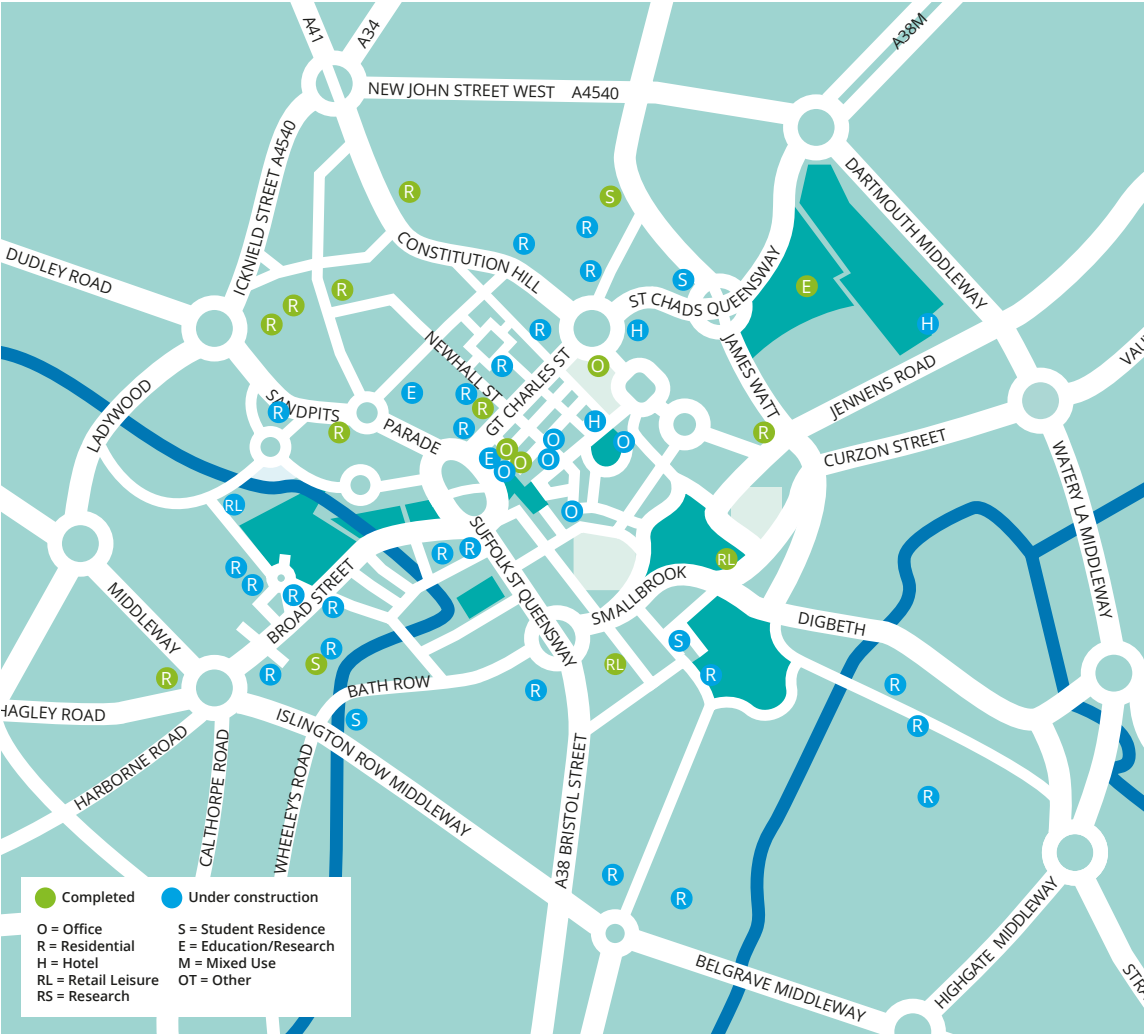


# Development map





# Development map



For full results and the development table, please visit the Crane Survey webpage at:  
[www.deloitte.co.uk/cranesurvey](http://www.deloitte.co.uk/cranesurvey)

# Endnotes

1. Population estimates for Birmingham, wards and constituencies. Birmingham City Council. 2018. See also: [https://www.birmingham.gov.uk/downloads/download/969/population\\_estimates\\_for\\_birmingham\\_wards\\_and\\_constituencies](https://www.birmingham.gov.uk/downloads/download/969/population_estimates_for_birmingham_wards_and_constituencies)
2. The Property Investors Bulletin. December 2019. See also: <https://www.propertydata.com/publications/IVBL/>
3. Savills Spotlight: Birmingham Offices. Savills. April 2019. See also: [https://www.savills.co.uk/research\\_articles/229130/281366-0](https://www.savills.co.uk/research_articles/229130/281366-0)
4. The Deloitte CFO Survey, Q3 2019. Deloitte LLP. See also: <https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>
5. Birmingham students are overpaying on rent - according to shock statistics. Mojo Mortgages. January 2019. See also: <https://www.birminghammail.co.uk/news/midlands-news/birmingham-students-overpaying-rent-according-15714711>
6. Higher Education Statistical Agency Data. January 2019. See also: <https://www.hesa.ac.uk/news/17-01-2019/sb252-higher-education-student-statistics>
7. PwC UK hotels forecast 2019. PwC. September 2018. See also: <https://www.pwc.co.uk/industries/hospitality-leisure/insights/uk-hotels-forecast-2019.html>
8. The Deloitte Consumer Tracker, Q3 2019. Deloitte LLP. See also: <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/consumer-business/deloitte-uk-consumer-tracker-q3-2019.pdf>

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## Further information

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