

RESIDENTIAL RESEARCH



BIRMINGHAM AND SURROUNDS

RESIDENTIAL MARKET INSIGHT
2018

MARKET UPDATE

FORECASTS

RESIDENTIAL STATISTICS

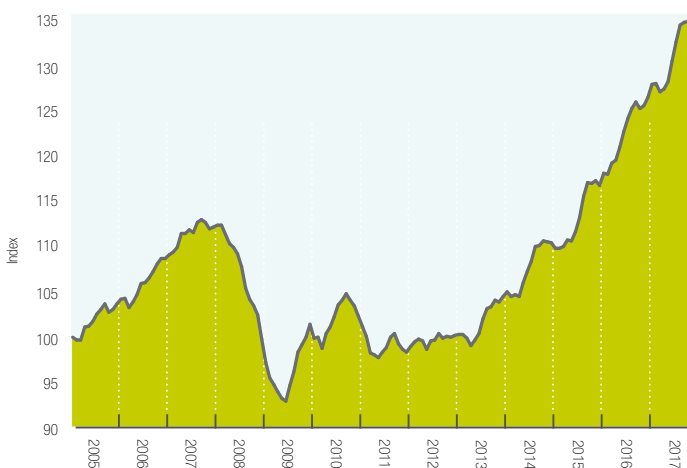
Outperforming market

The annual growth rate for house prices in Birmingham has averaged between 5% and 10% since mid-2015, and has outperformed the wider UK market for more than a year, according to data from the ONS.

In 2017, Birmingham, was one of the best performing cities in England in terms of house price growth, comfortably outstripping London.

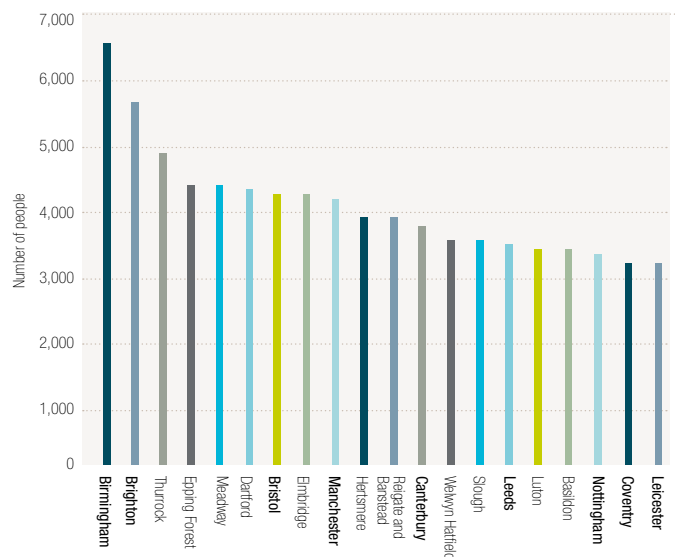
The strong growth rate in prices seen in the past few years has contributed to a 45% rise in average residential property values since the post-crisis trough in 2009. Even with this level of growth, the average price in Greater Birmingham is around £178,000, lower than the UK average of £226,756.

Figure 1 Birmingham average house price performance
(Indexed, 100=01/2005)



Source: Knight Frank Research / ONS

Figure 2 Top destinations for those leaving London, 2016
Total outward migration by destination



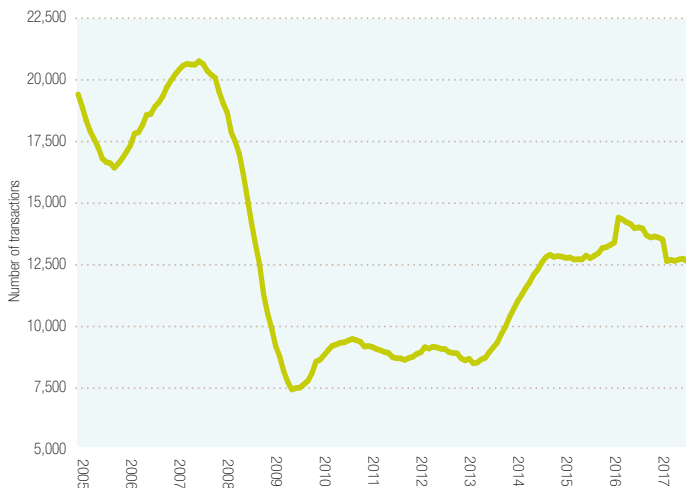
Source: ONS / UK Migration Statistics

This price differential underlines just one of the key drivers of the Birmingham market – its relative affordability compared to other markets in the UK, especially those in the South of England. As the UK's second-biggest business hub, Birmingham draws comparison with London, the financial centre of Europe. However, when looking at residential property prices, the difference is striking, with new-build development prices in some central zones of the capital ranging from £1,000 to £2,000+ per sq ft, compared to around £300 to £450 per sq ft in central Birmingham.

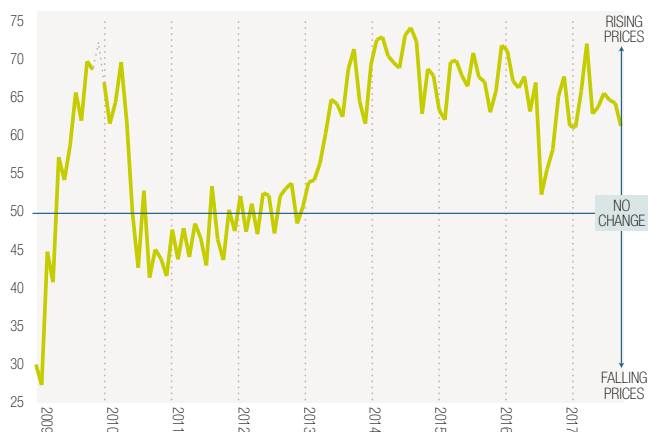
The affordability trend dovetails with the improvement in amenity and lifestyle in the city, making it a destination for young workers and families alike. Birmingham was the most popular city destination for those migrating from London in 2016, as shown in figure 2, ahead of cities such as Manchester, Leeds and Bristol. The age breakdown of those arriving from London is also significant, indicating that, while a large number of those of student age are

Figure 3 **Birmingham residential transactions**

Monthly annual rolling total



Source: Knight Frank Research/Land Registry

Figure 4 **Future House Price Sentiment Index, West Midlands**

Source: IHS Markit

attracted to the city due to its high quality universities, a significant number of movers are also young workers and families.

The number of home sales taking place in the city has dipped over the last year (figure 3), reflecting a wider trend as 'churn' in the second-hand housing market has fallen, with less movement up and down the housing ladder. However, overall activity in the residential market in Birmingham remains well above the levels seen in the four years after the financial crisis.

Looking to the future, households in the West Midlands expect that average house prices in the region will continue to rise in the coming year. The IHS Markit Future House Price Sentiment Index (HPSI) measures what households expect to happen to property prices in the next year. While the level of growth expected has moderated in recent months, it is still in positive territory. Any reading over 50 on the index indicates that prices are expected to rise.

We are forecasting price growth of 4.5% in Birmingham in 2018, with a similar level of growth next year. Cumulative price growth from the start of 2018 to the end of 2020 is expected to be around 14%.

Market insight



Jamie Carter
Head of Birmingham
Residential Sales

What's your current view of the market?

The city centre market has been especially busy over the last 12 months, supported by the volume of high quality new development currently taking place. Just outside the city, surrounding towns and villages, including Sutton Coldfield, Solihull and Edgbaston, continue to attract young families and professionals looking to move up the housing ladder in search of more space. Supply has not kept pace with demand, however, which in some cases has led to premiums being achieved for the best homes.

What is driving demand?

The pricing of homes in Birmingham is an attraction – average values tend to be lower compared to markets in London and the South East which means buyers can get more bricks and mortar for their money. But, importantly, this is coupled with growing employment and lifestyle opportunities. In recent years, the opening of new businesses or the expansion of existing ones has boosted demand for housing within the city and as well as its satellite towns and villages.

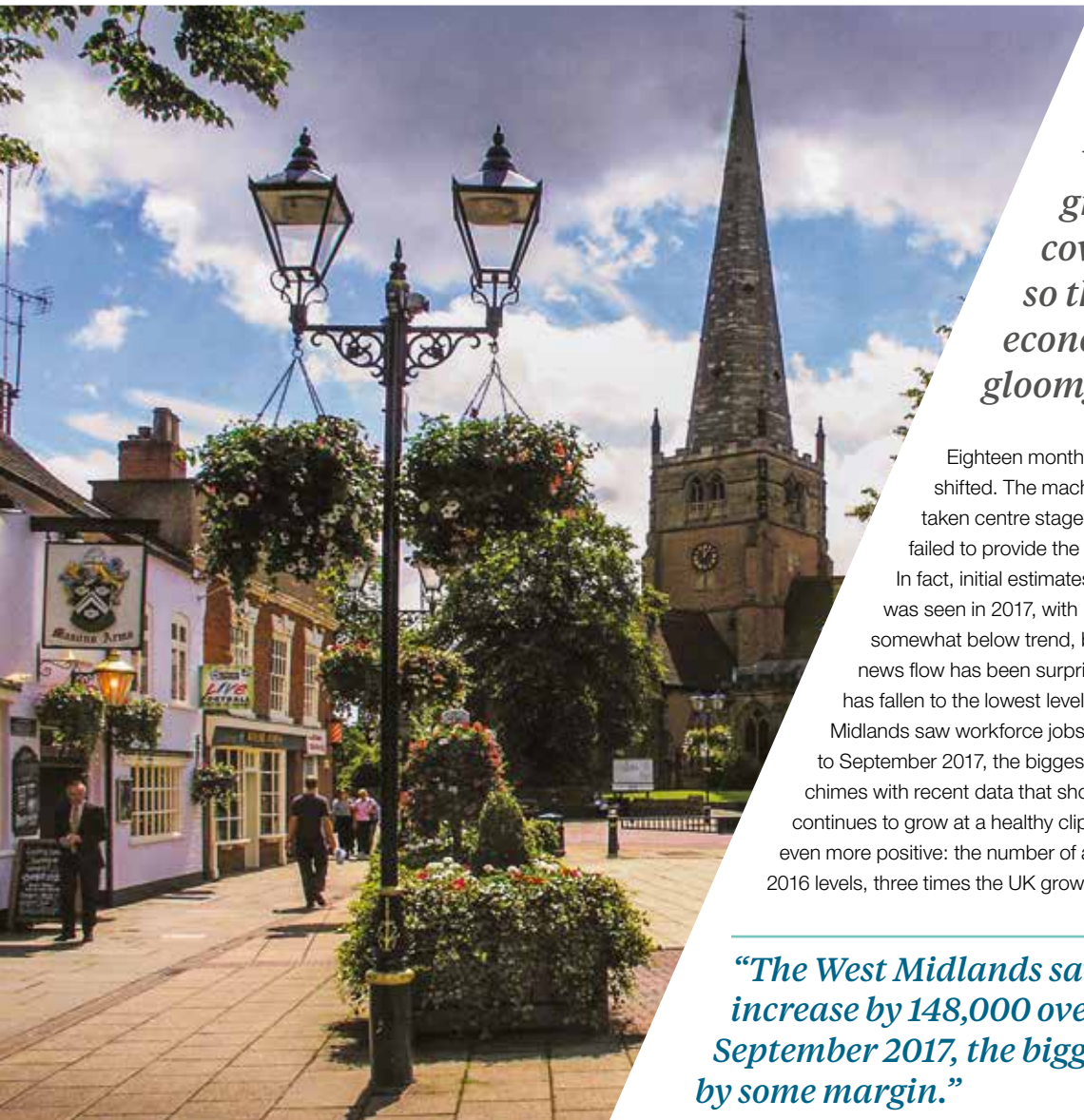
What trends are you seeing?

Schooling remains an important factor for buyers, with the top quality schools in and around Birmingham continuing to act as a draw. Larger, detached properties in Solihull, Edgbaston or Sutton Coldfield, for example, are perennially in demand among buyers with young families. We've also seen an increasing number of vendors selling in these locations and looking to downsize either within the local area, or into Birmingham city centre.

Where do you see the market heading?

Confidence among both buyers and vendors has been strong over the last 12 months, in spite of the wider uncertainty in the market, and we see no reason why that won't continue throughout 2018. Our experience is that accurately priced properties are attracting good levels of interest and selling at a fast pace.

Economic Market Outlook



SOLIHULL TOWN CENTRE

In 2017, the EU referendum result was still very fresh. Little ground had been covered politically, so the focus was on economics, with many a gloomy prognosis shared.

Eighteen months later, however, the balance has shifted. The machinations of the 'leave process' have taken centre stage, while the economy has largely failed to provide the drama headline writers hoped for. In fact, initial estimates suggest economic growth of 1.8% was seen in 2017, with 1.4% growth forecast in 2018. This is somewhat below trend, but hardly disastrous. Indeed, recent news flow has been surprisingly positive: UK unemployment has fallen to the lowest level since the mid-1970s, while the West Midlands saw workforce jobs increase by 148,000 over the year to September 2017, the biggest rise in the UK by some margin. This chimes with recent data that shows that UK enterprise formation continues to grow at a healthy clip, but the picture for Birmingham is even more positive: the number of active businesses is up by 13.5% on 2016 levels, three times the UK growth rate.

“The West Midlands saw workforce jobs increase by 148,000 over the year to September 2017, the biggest rise in the UK by some margin.”

The pace and the scale of economic growth in the region has been significant over the past year. The level of new enterprises created demonstrates how the area is an alternative to London as a business hub.

HSBC is establishing a retail headquarters in Birmingham while Deutsche Bank already has a trading floor and back office jobs in the city. HMRC has announced plans to move a large number of staff to the city centre from 2020.

“The pace and the scale of economic growth in the region has been significant over the past year.”

The city is also receiving billions of pounds of infrastructure investment, with new tram lines, office blocks and public squares planned as the city centre is remodelled. Two High Speed 2 (HS2) railway stations are being built in central Birmingham and nearby Solihull, which will dramatically cut journey times to and from the capital.

News that Birmingham has been selected as a host city partner of the 2022 Commonwealth Games is likely to bring further economic and social benefits.

A growing population, improved transport and a step-change in amenity, career opportunities and lifestyle underpin the demand for homes in and around Birmingham.

The number of people living in Birmingham will rise by 171,000 to 1.3 million by 2039,

according to the latest official population projections. This translates into nearly 100,000 additional households being created over the next two decades or so.

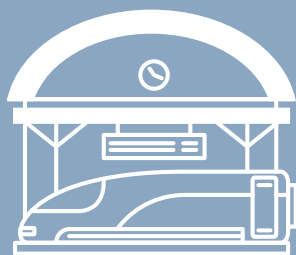
Given the uplift in both job creation, amenity, transport and population, the demand for both city-centre living, and property in the towns and villages surrounding Birmingham, is expected to continue to grow.



BRACEBRIDGE ROAD, SUTTON COLDFIELD

Two HS2 stations

in central Birmingham and Solihull



Host city partner

of the 2022 Commonwealth Games



1.3 million

forecast population of Birmingham by 2039



148,000 new jobs

over the year to September 2017
(West Midlands)



Remodelled

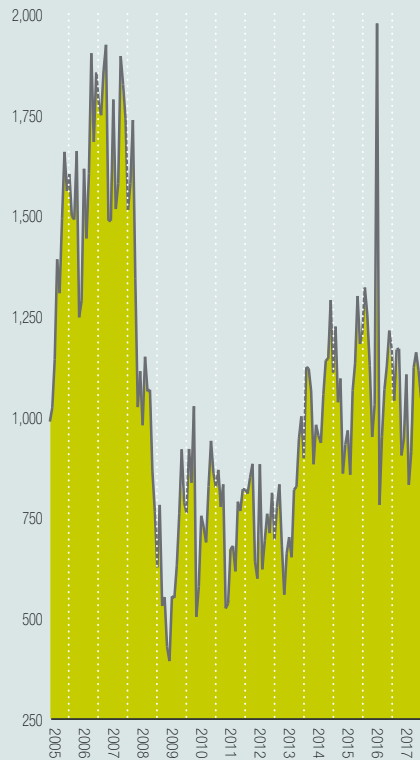
City centre



RESIDENTIAL STATS

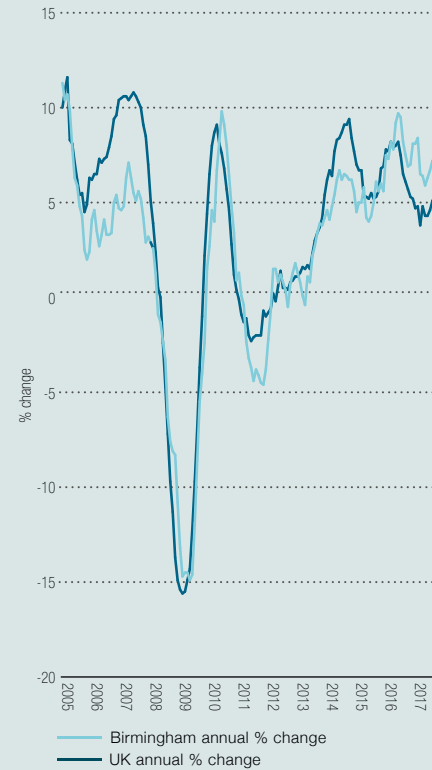
Residential transactions, Birmingham

Monthly, unadjusted



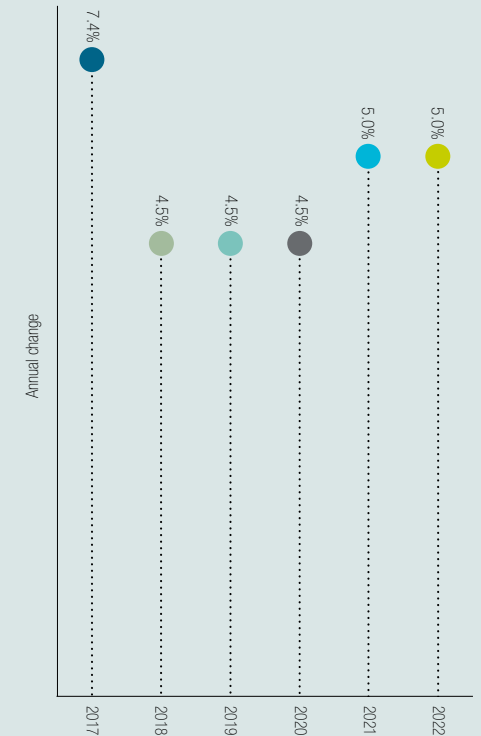
Source: DCLG

Annual change in house prices



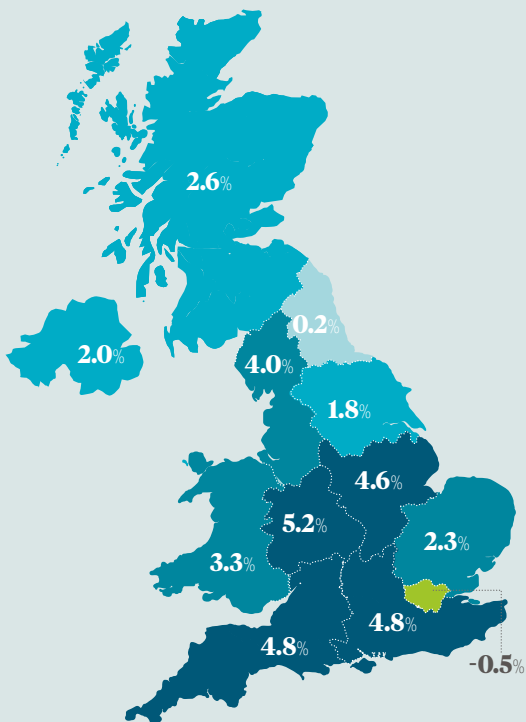
Source: ONS

Forecast: Birmingham house prices



Source: Knight Frank Research / ONS Data

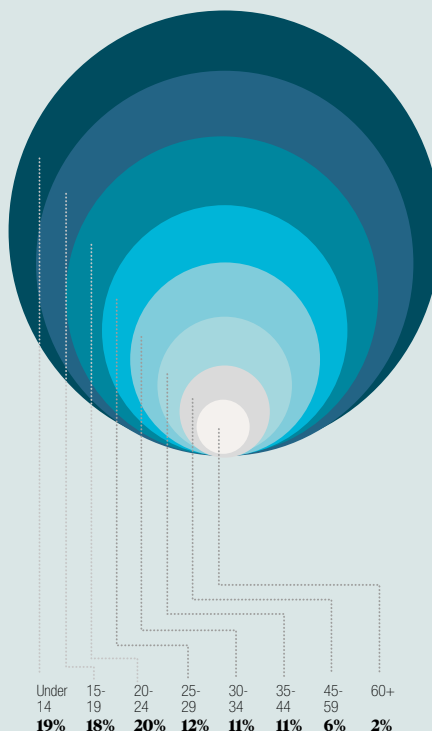
Annual price growth, 2017



Source: Nationwide

Age of those moving to Birmingham from London

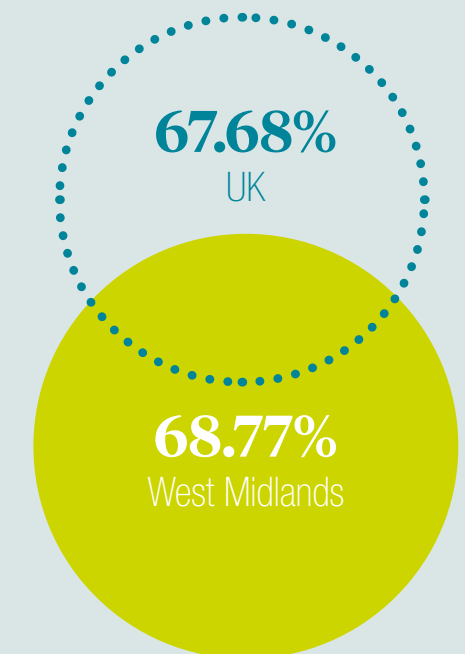
UK Migration data, 2016



Source: Knight Frank Research / ONS

Knight Frank Tenant Survey

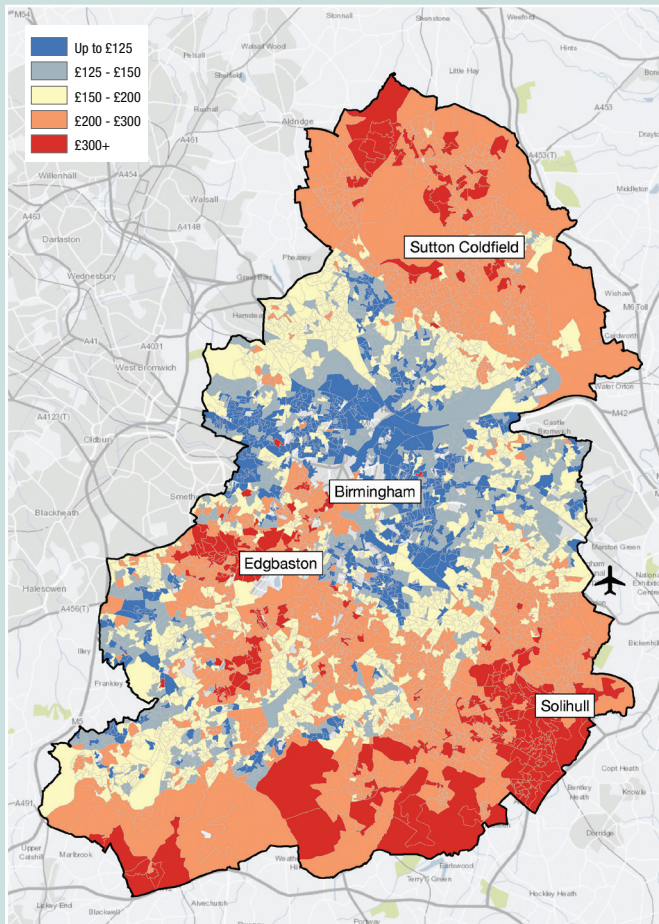
% of respondents who said they expect to be renting in three years' time



Source: Knight Frank Tenant Survey

Average £psf

Based on transactions in the 3 years to December 2017

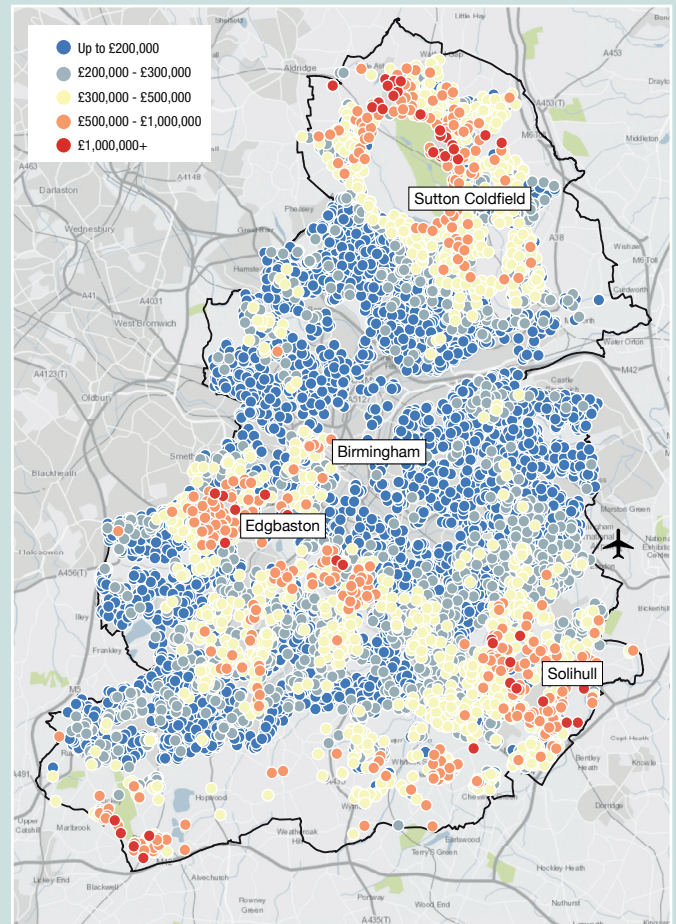


Source: Land Registry / EPC

Average pound per square foot values are calculated by matching EPC data to Land Registry sales records. As the map shows, there is a wide variation across Birmingham and its surrounding area, with higher values achieved in satellite towns and villages neighbouring the city, including in Solihull, Sutton Coldfield and Edgbaston.

Property sales

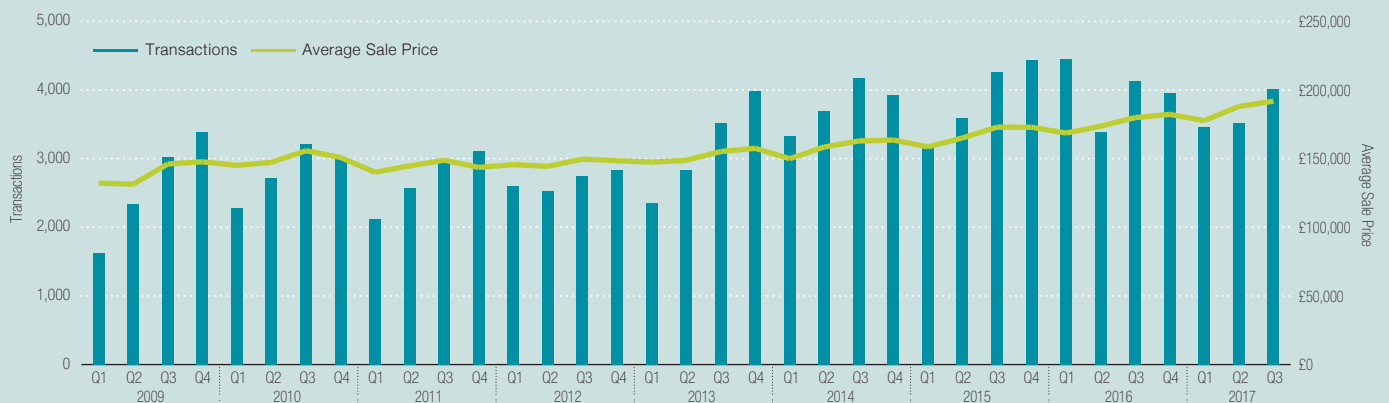
Achieved prices, 3 years to December 2017



Source: Land Registry

The majority of sales which took place in Birmingham and its surrounding areas over the 3 years to December 2017 were for properties valued up to £300,000.

Transaction volumes and pricing data



Source: Land Registry

Seasonality plays a large role in property markets, with activity traditionally peaking in the second half of the year (Q3 and Q4). However, changes to property taxation and political events also influence activity. For example, Q1 2016 was unseasonably busy as buyers looked to complete transactions ahead of the stamp duty increase for those purchasing additional properties.



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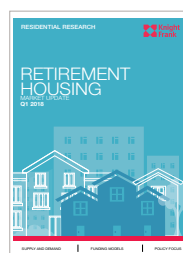
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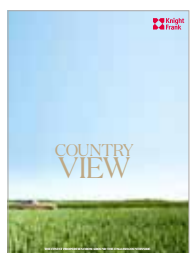
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