

BIRMINGHAM

MARKET UPDATE **2018**





£25.3 billion

Size of Birmingham's economy in 2018
(Experian)



12,108

New business set up in Birmingham in 2017, second only to London, according to research by the Centre of Entrepreneurs



1st

The most popular city destination for those migrating from London in 2017



1.3m

Forecast population of Birmingham by 2039



1,751

Net additional dwellings delivered in 2016-2017, some way short of forecast housing need

OUTPERFORMING MARKET

Birmingham has one of the UK's largest economies, a fast-growing population and a strong pipeline of new development. Bars and restaurants are popping up, while recent regeneration is underpinning a bright outlook for the one of the UK's powerhouse cities.

Large-scale regeneration and development has contributed to outperformance in the city's property market, with the annual growth rate for residential values averaging between 5% and 10% since mid-2015, according to data from the ONS.

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 Birmingham is around £178,000, notably lower than the UK average.

This price differential underlines just one of the key drivers of the Birmingham market – its relative affordability compared to other areas of 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 city's affordability dovetails with improvements in amenity and lifestyle, making it a destination for young workers and families alike, as discussed on page 5.

Economic outperformance

Birmingham has benefitted from a fast-growing local economy as well as large-scale city centre regeneration which is helping fuel population growth.

Economic expansion is forecast to continue, and is set to outperform the wider West Midlands during the next decade, according to Experian. Birmingham's gross value added (GVA), a measure of the value of goods and services produced in an area, is set to climb 25.5% by 2028, faster than all other local authorities in the region.

Meanwhile, in December 2017, the city was announced as the new host for the 2022 Commonwealth Games, a move that will potentially bring further economic benefits.

Demand

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.

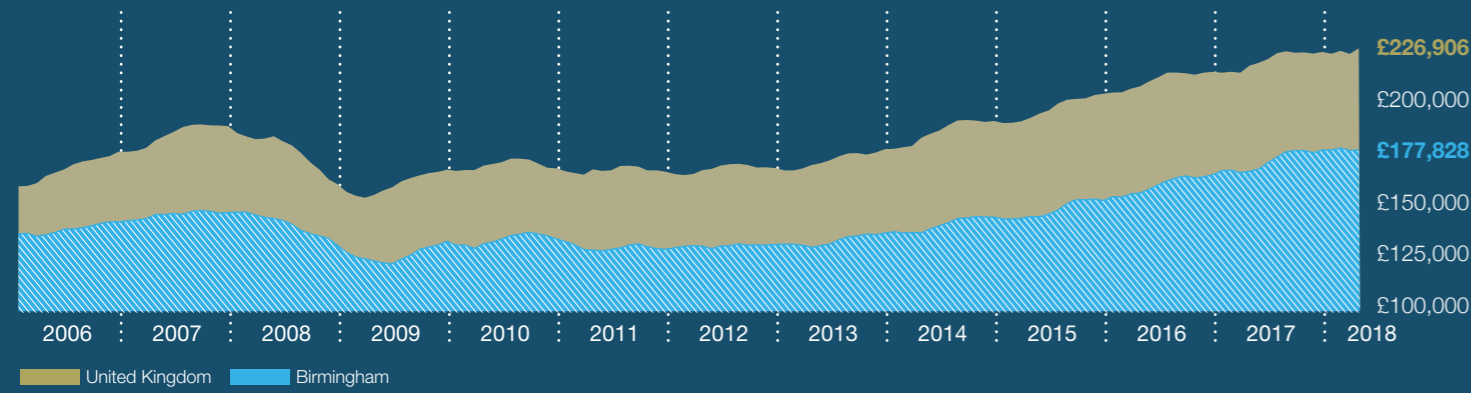
Pipeline and development

Housing delivery data suggests that there is an imbalance between the supply of new homes and demand for housing in Birmingham.

Some 1,751 net additional dwellings were delivered in 2016-2017, down from 2,839 the previous year, according to data from MHCLG. Birmingham needs 3,577 additional dwellings every year until 2026 in order to meet demand and clear the backlog, according to official estimates.

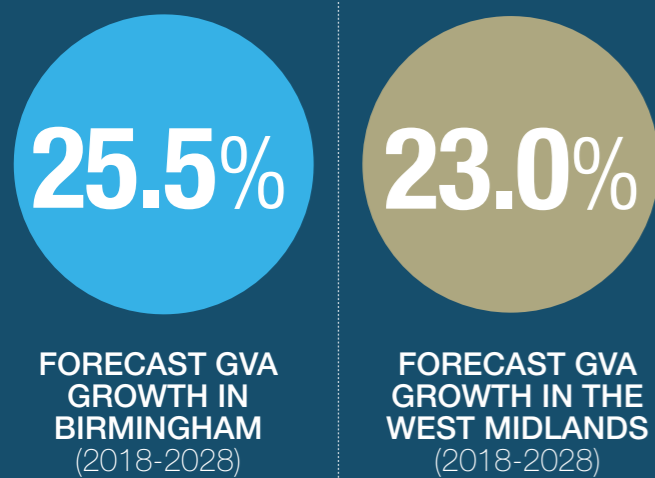
Looking to the future, the most recent planning data suggests that around 9,700 private residential units are in the development pipeline – either under construction or with planning granted, according to data from construction intelligence provider Glenigan.

Figure 1
Strong price growth has been seen since the financial crisis
But prices in Birmingham remain notably lower than the UK average...



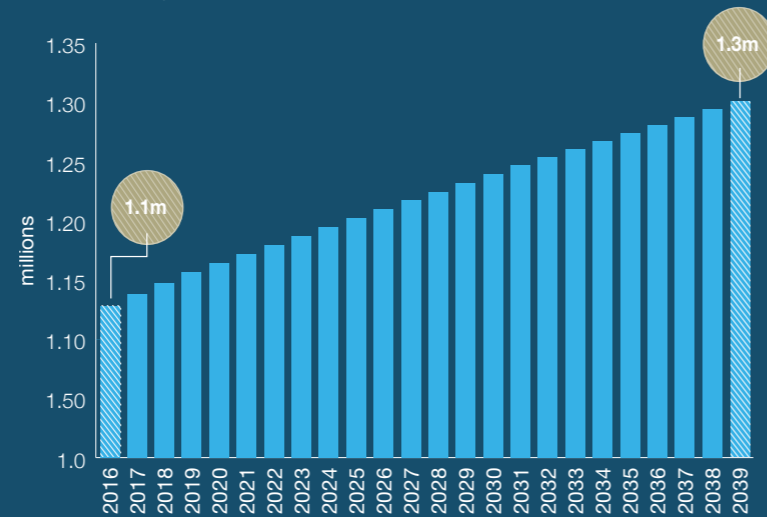
Source: Knight Frank Research / ONS House Price Index

Figure 2
Birmingham has benefited from a fast-growing local economy
A trend which is set to continue...



Source: Knight Frank Research / Experian
GVA is a measure of the value of goods and services produced in an area

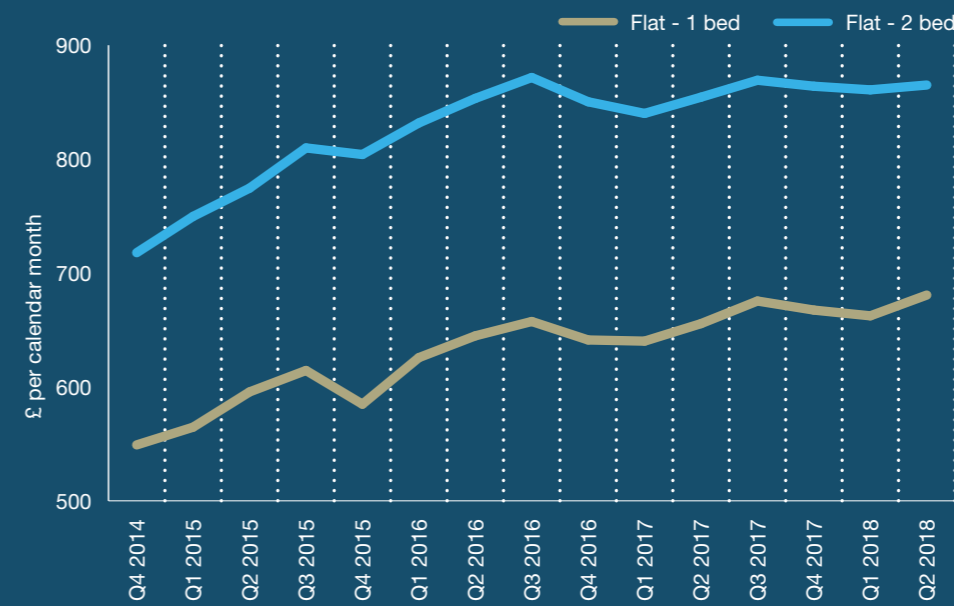
Figure 3
Birmingham's population is growing
The number of people living in the city is forecast to reach 1.3 million by 2039



Source: Knight Frank Research / ONS

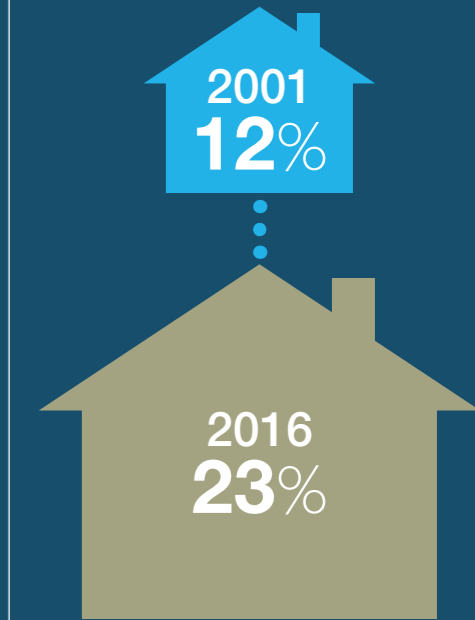


Figure 5
Growth in average asking rents



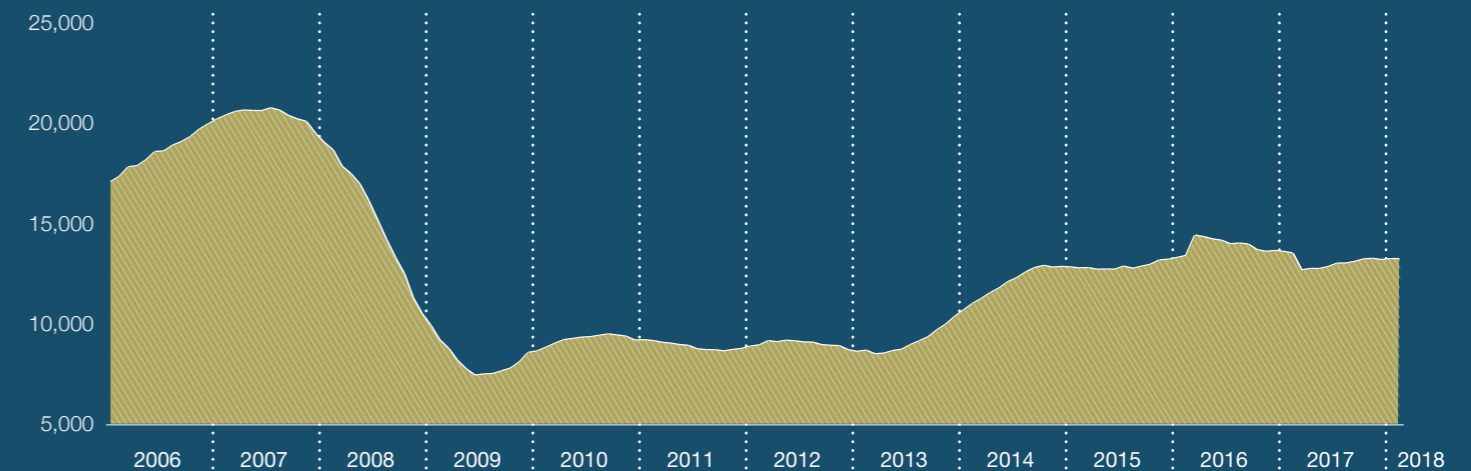
Source: Rightmove

Figure 6
Growing demand in the private rented sector
Share of households renting



Source: Knight Frank Research / ONS

Figure 7
Birmingham residential transactions Rolling annual sales volume



Source: Knight Frank Research / ONS

Figure 8
2018-2022 Housing market forecasts

	2018	2019	2020	2021	2022	2018-2022
West Midlands	2.0%	2.0%	3.0%	3.0%	4.0%	14.8%
UK	1.0%	2.0%	3.0%	3.5%	4.0%	14.2%

Source: Knight Frank Research

This includes projects comprising just over 5,300 units that are currently active on site. However, it is important to note that not all schemes with planning will come to fruition, and some larger schemes may take many years to complete.

Rental market

Asking rents for a 2-bed flat across the city averaged £860 per calendar month in Q1 2018, up from £750 during Q1 2015, according to data from Rightmove.

The rental market is supported by demand from students studying at the city's numerous universities. Birmingham University was recently named as the 15th best in the country in The Times Good University Guide 2018.

Birmingham is also well-placed to attract and retain graduate talent. According to an analysis of HESA data by the Centre for Cities, 49% of new UK domiciled graduates who were in employment six months after graduation stayed in the city to work in 2014 and 2015. Birmingham is also the third best performing city in the UK for attracting graduates who have no prior links to the city, helping drive further demand for rental accommodation.

Sales market

The number of home sales taking place in the city has dipped over the last year (figure 7), 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.

Outlook

Given the uplift in job creation and amenity in the city centre, the demand to live in Birmingham is expected to continue to grow. The improvement of transport infrastructure, both within the city and between Birmingham and other key UK cities, is likely to further augment this trend.

HS2, Europe's largest infrastructure project, will potentially cut travel times between Birmingham and London to under one hour, increasing accessibility to jobs. In addition, this plays a part in the city's attraction for business and manufacturing, potentially helping to underpin further economic growth.

London calling

Birmingham was the most popular city destination for those migrating from London in 2017, ahead of cities including Manchester, Leeds and Bristol, according to data from the ONS.

The age breakdown of those arriving from London is also significant, indicating that, while a large number of those of student age are attracted to the city due to its high quality universities, a number of movers are also young workers and families.

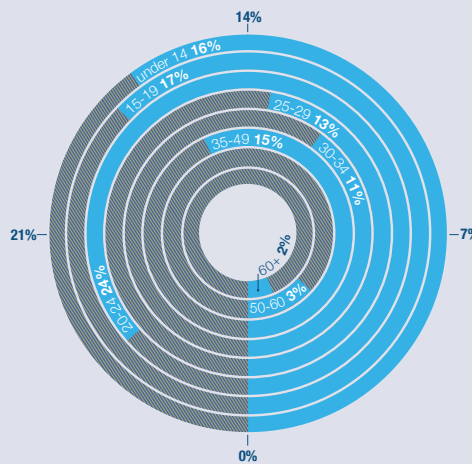
The pace and the scale of economic growth across the West Midlands has been significant over the past few years. The level of new enterprises created demonstrates how the area is an alternative to London as a business hub.

In Birmingham alone, HSBC is currently establishing a retail banking headquarters 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, while the city is also on the shortlist as the new home for Channel 4, alongside nearby Coventry.

Billions of pounds is also being spent on 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 shorten journey times to and from the capital.

Figure 8
Age of those moving to Birmingham from London

UK migration data, 2017

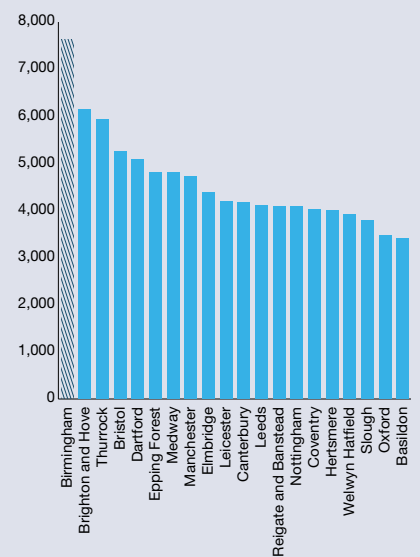


Source: Knight Frank Research / ONS

The city has also been named as a host city partner of the 2022 Commonwealth Games, news which is likely to bring further economic and cultural benefits.

Figure 9
Birmingham is the most popular city destination for Londoners

Moves from London, 2017



Source: Knight Frank Research / ONS

“AN UPLIFT IN JOB CREATION AND AMENITY SHOULD UNDERPIN DEMAND FOR HOMES IN BIRMINGHAM. IMPROVEMENTS TO TRANSPORT INFRASTRUCTURE ARE LIKELY TO FURTHER AUGMENT THIS TREND.”

Oliver Knight, Residential Research
oliver.knight@knightfrank.com

With thanks to Birmingham City Council for the front cover image.

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Get in touch

If you're thinking of buying in Birmingham, or would just like some property advice, please do get in touch, we'd love to help.

Peter Smith
+44 121 233 6406
peter.smith@knightfrank.com

Mark Evans
+44 121 233 6410
mark.evans@knightfrank.com

Kate Horton
+44 121 234 0339
kate.horton@knightfrank.com

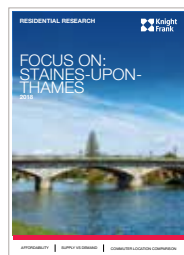
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



The Wealth Report - 2018



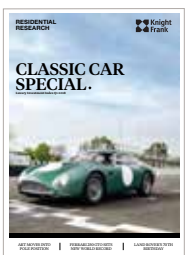
Focus on: Coventry 2018



Focus on: Staines-upon-Thames - 2018



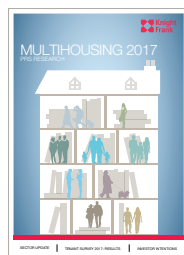
UK Housing Market Forecast - May 2018



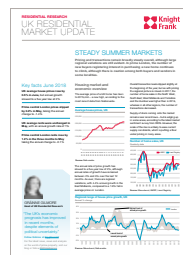
Knight Frank Luxury Investment Index - Q1 2018 Classic Car Special



London Development Hotspots - 2018



The UK Tenant Survey - 2017



UK Residential Market Update - June 2018

Knight Frank Research Reports are available at KnightFrank.com/Research

Important Notice

© **Knight Frank LLP 2018** – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.