

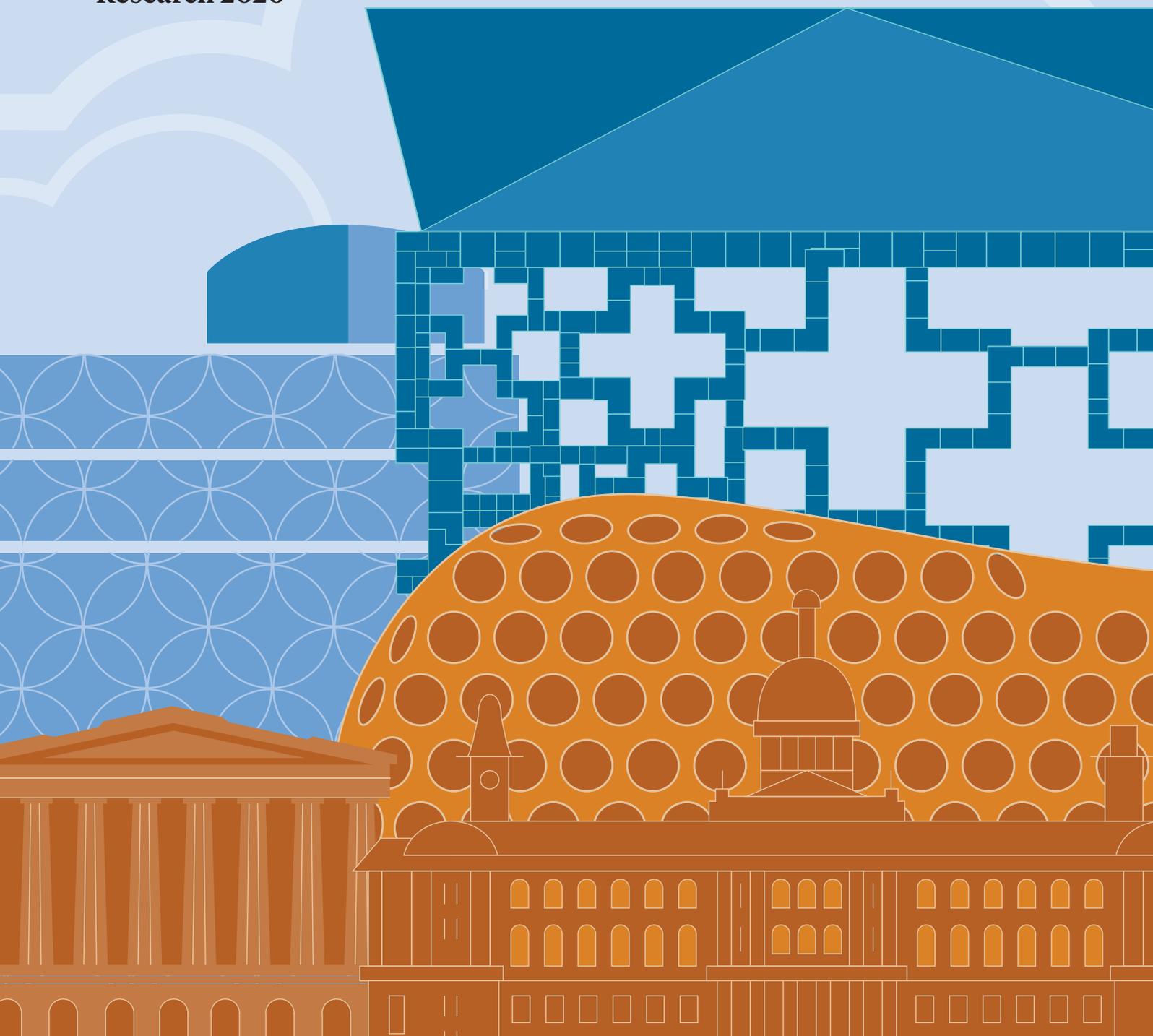
*An update on the new homes, rental and prime markets
in Birmingham and its surrounding towns and villages*



Birmingham Report

Research 2020

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BIRMINGHAM

The housing market has slowed across much of the country over the last few years, with political uncertainty contributing to a moderation in both price growth and activity.

Birmingham hasn't been immune to this slowdown, with a 3.9% drop in transactions over the 12 months to August 2019 compared with the previous year, though the prime market above £500,000 has outperformed as we explore later in the report.

An overall fall in activity levels may be in line with the national trend but Birmingham appears to be significantly more robust than other parts of the UK. In London or the South East for example, falls of 8-9% in sales volumes have been seen over the same period.

Price growth has also been resilient. Since the June 2016 referendum, average values are 16% higher, outperforming the regional and national growth rates of 12% and 9% respectively. Over the longer term, prices are 52% higher than the post-crisis trough in 2009.

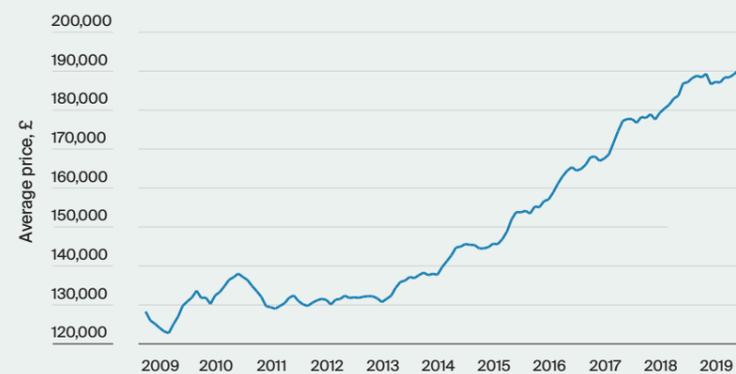
Even with this level of growth, the average price in Birmingham is around £187,000, notably lower than the UK average.

This price differential underlines just one of the key drivers of the market in Birmingham and its surrounding towns



Over the longer term, prices are 52% higher than the post-crisis trough in 2009.

Birmingham house prices
Average price, GBP



Source: ONS

and villages – its relative affordability compared to other areas of the UK, especially those in the south of England.

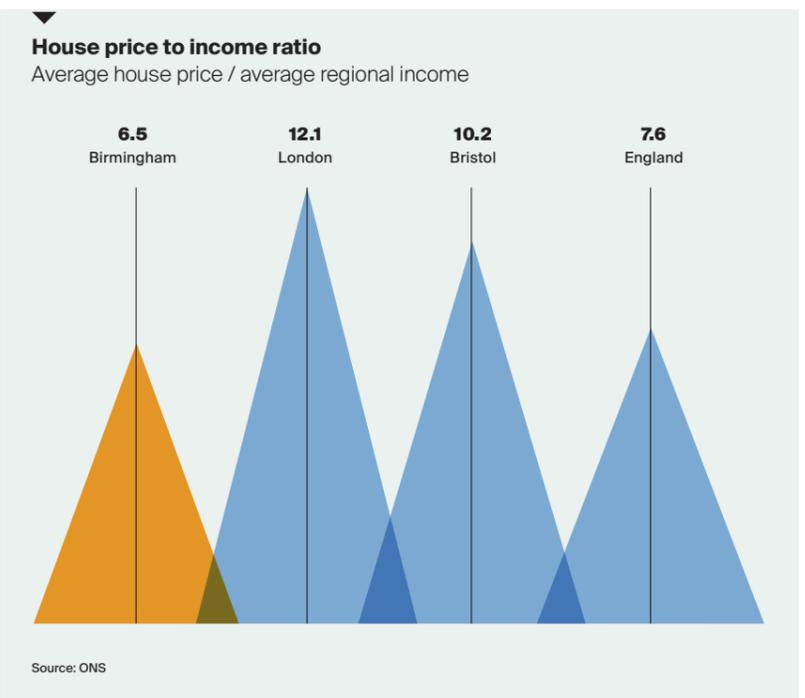
The average income to average house price ratio sits at 7.6 across England as a whole. In Birmingham it is 6.5, notably cheaper than nearby Bristol (10.2) or London (12.1). This gives Birmingham a significant advantage at attracting and retaining a skilled workforce, which in turn will help drive long-term economic growth.

As the UK's second-biggest business hub, 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 Oxford Economics.

To this end, Birmingham's gross value added (GVA), a measure of the value of goods and services produced in an area, is set to climb 16.4% by 2030, faster than the average for 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.

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



Source: ONS

Transactions resilient

Monthly sales volumes, Birmingham



Source: Land Registry

BUILDING MOMENTUM

Rising employment opportunities and a growing population continue to underpin Birmingham's new homes and rental markets

Birmingham's population has risen by nearly 10% over the last decade, with an additional 100,000 people living in the city.

It is set to continue climbing, with the latest forecasts from Oxford Economics suggesting that more than 3,300 additional households will be created every year until 2030.

The supply of new homes in Birmingham, especially in the city centre, has picked up markedly in recent years, partly in response to

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40% of final year students studying in Birmingham intend to stay after they graduate
 ◆◆

this growth, with major housebuilders including Berkeley Homes, Galliard Homes and Urban Splash all launching schemes in the city. In total, some 4,187 net additional dwellings were delivered in 2018-2019, up from 3,160 the previous year, according to data from MHCLG.

The latest local plan for Birmingham identifies a need for a further 2,500 homes a year in order to meet demand and clear the backlog.

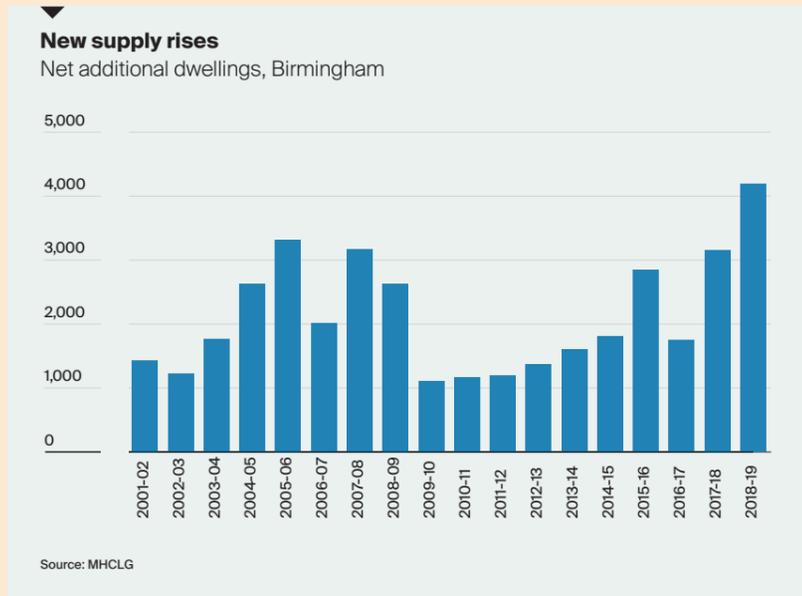
Looking to the future, the most recent planning data from construction intelligence provider Glenigan suggests that around 14,000 residential units are in the development pipeline – in projects with 10 or more units – either under construction or with planning granted.

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. Just over 6,500 units are currently under construction.

Not all of these units will be entering the sales market however.

Rental market

In addition to build-for-sale schemes, changing trends in housing tenure, and in the city centre in particular, mean that the rental market has also been expanding.



The majority of households living in the city centre are in the private rented sector, according to Knight Frank analysis.

Around 60% of those living there are under the age of 35, reflecting the growth in a young, professional population attracted by the improving jobs market and career opportunities within the city.

Some 10 build-to-rent schemes are currently under construction – indicating the delivery of around 3,300 such units in or around the city centre in the coming years. In terms of rents, the growth in average asking rents in Birmingham has outpaced that in the wider West

Midlands. Average asking rents across the city have risen by 28% since the end of 2009. For central Birmingham, this level of rental growth is expected to continue in the coming years.

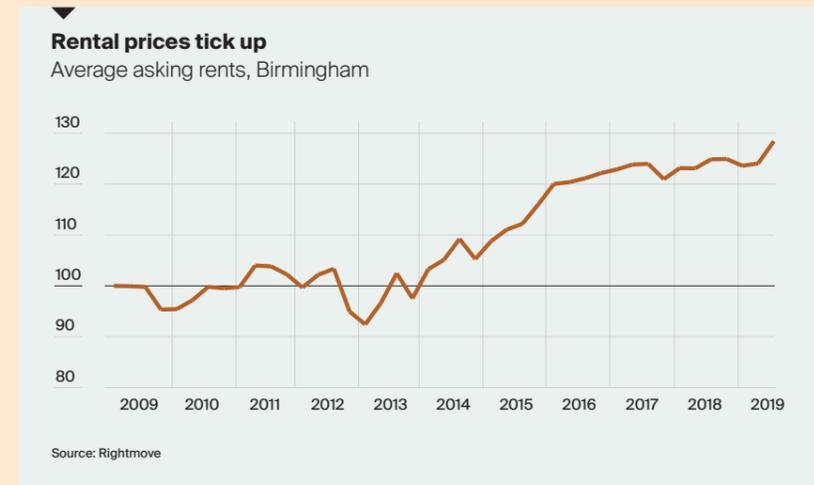
The rental market is supported by demand from students studying at the city's numerous universities. Birmingham University was recently named as the 13th best in the country in The Times Good University Guide 2019.

Birmingham is also well-placed to attract and retain graduate talent. According to the results of the 2019 Knight Frank/UCAS Student Accommodation Survey,

40% of final year students studying in Birmingham said they intended to stay in the city after they graduated.

Data from the Centre for Cities also shows that Birmingham is 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.

The overall development picture in Birmingham has changed substantially over the past five years. The new-build market is maturing, with schemes being developed across the spectrum in price and tenure. However, as such, there is more competition for buyers in the market now, and past evidence suggests that schemes which are the best located and built to the highest specification will be at an advantage in this market.



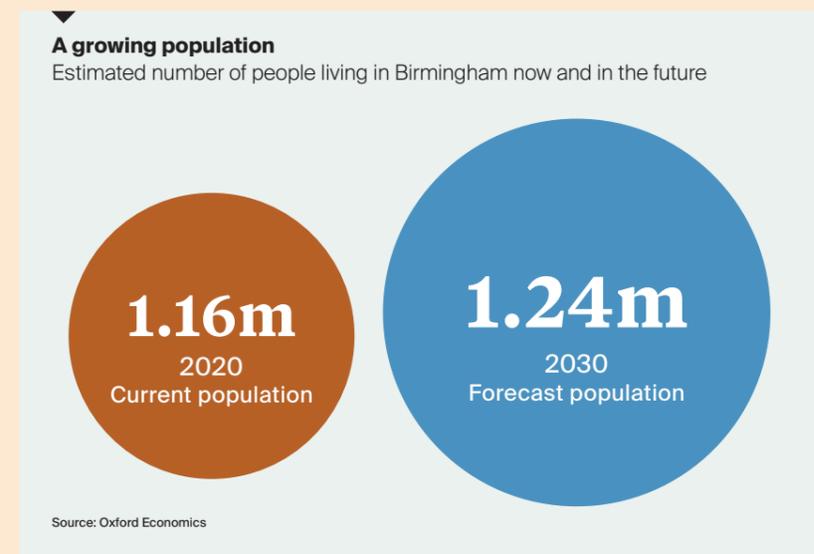
Help to Buy

Some 426 homes were purchased under the Help to Buy Equity Loan Scheme in Birmingham during the year to June 2019, up 37% on the same period a year earlier.

There were 131 sales during the first quarter, beating the previous year's quarterly average of 96. Over 2,000 homes have been purchased with the program since its inception in 2013, according to official figures.

The government in November announced it would restrict the scheme to first-time buyers and add a regional price cap of £255,600 in the West Midlands.

Developers now looking at starting schemes will be mindful that the scheme is set to continue past the initial cut-off point of 2021, but in this more limited form.



PRIME MARKETS

The prime market in Birmingham and its surrounding towns and villages has proven resilient over the last year.

The number of transactions in Birmingham and its surrounding markets with a value above £500,000 reached a record high over the 12 months to August 2019, analysis of Land Registry sales data shows.

In total, 444 deals were completed above this level, 17% higher than at the end of the same period a year previously. Within this, there were 47 sales with a value above £1 million, another record high.

Such strong performance highlights the resilience of the prime market in

Birmingham and came in spite of Brexit uncertainty, as well as higher stamp duty rates for the top end of the market which were introduced in December 2014.

Further analysis of sales data shows that activity was greatest just outside the city in surrounding towns and villages, including Sutton Coldfield, Solihull and Edgbaston. The nature of housing stock in such areas, which tends towards larger detached homes, acts as a draw for families and professionals looking to move up the housing ladder in search of more space.

The city centre market has also been active over the 12 month timeframe, supported by the volume of high quality new development taking place.

Knight Frank data for the prime market confirms this strong demand. The ratio of new prospective buyers to new property listings stood at 8.7 over the course of 2019, up from 5.7 in 2018, underlining the current strength of demand.

Schooling remains another important factor for buyers, with the top quality schools in and

around Birmingham another factor underpinning these markets.

Supply has not kept pace with demand, however, which in some cases has led to premiums being achieved for the best homes.

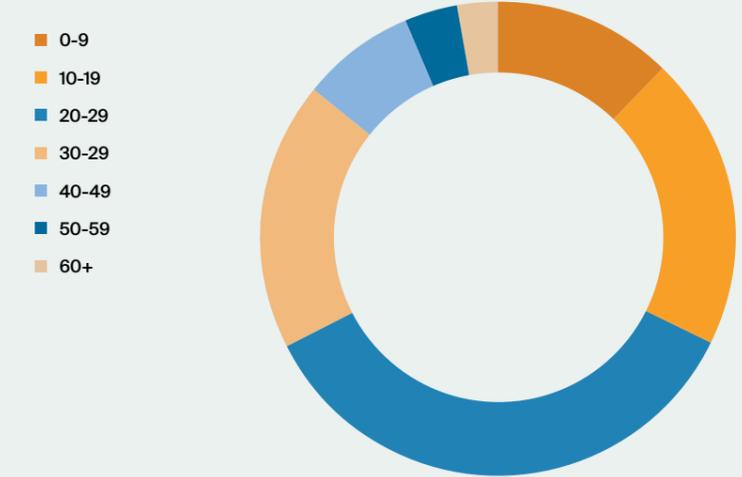
London movers

Birmingham was the most popular city destination for those migrating from London in 2018, 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.

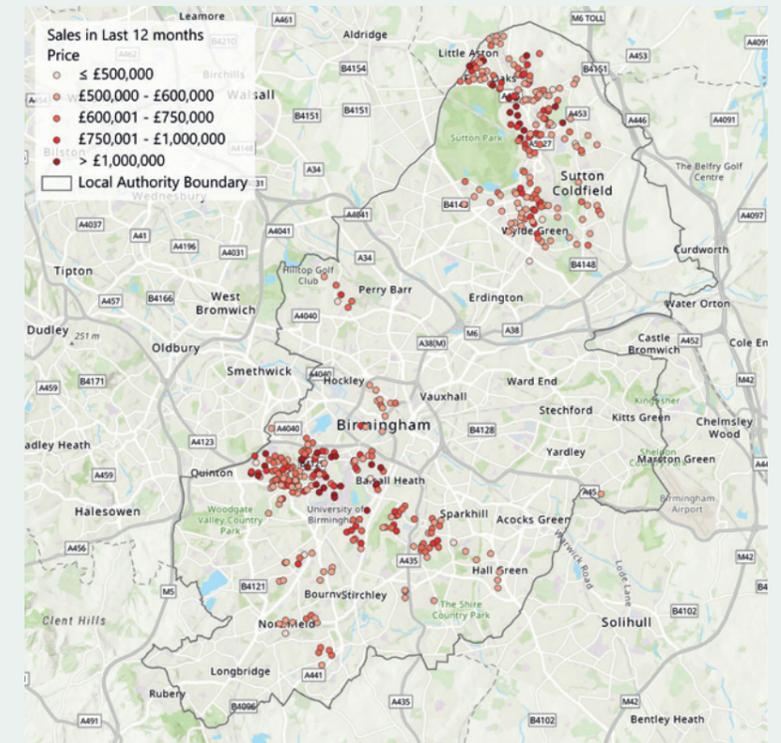
Age breakdown of Londoners moving to Birmingham 2018



Source: ONS

Prime sales

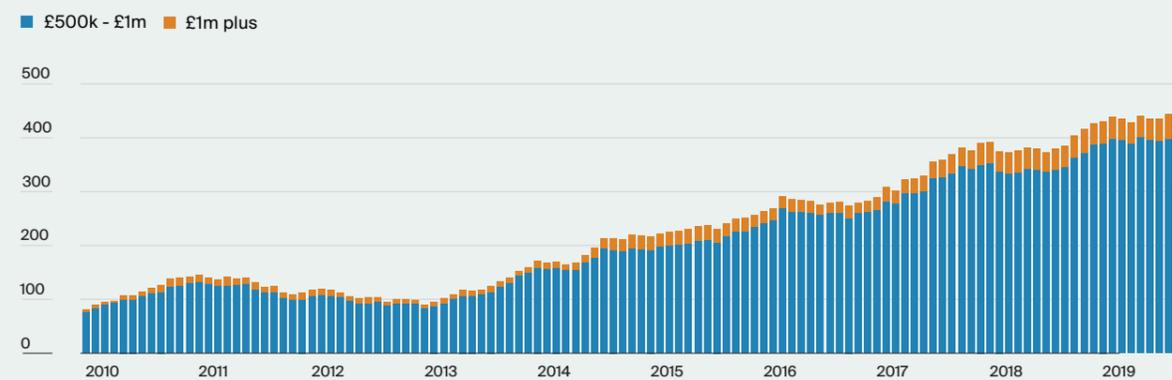
Dots can represent multiple sales in the same postcode



Source: MHCLG

Prime market outperforms

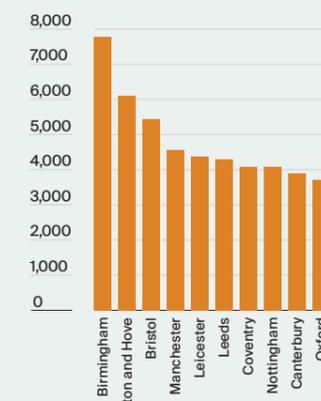
Rolling annual total, £500,000+ sales, Birmingham



Source: Land Registry

Most popular cities for London leavers

Internal migration, 2018



Source: ONS

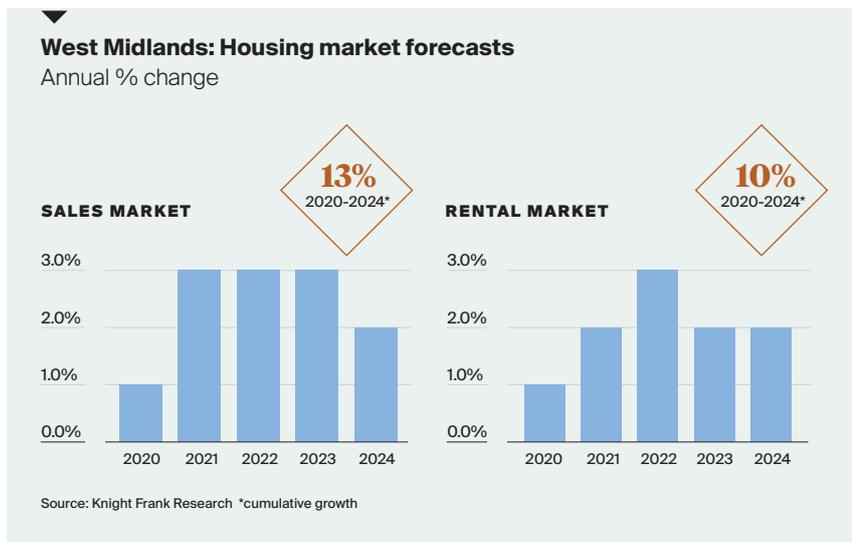
OUTLOOK

The clarity afforded by a Conservative majority in the General Election has removed some of the uncertainty that has been weighing on the UK residential property market over the last few years. In the short-term, this will pave the way

for the release of some of the pent-up demand that has been building, though the extent to which this translates into transactions will depend on the size of the pricing expectation gap between buyers and sellers.

The risk of a no-deal has not completely disappeared, however, and December 2020 marks the end of the transition period, potentially raising the spectre of a no-deal in the second half of 2020. Elsewhere, interest rates are also likely to begin a gradual process of normalisation in 2020, though we expect rates to remain low compared to long-term norms. While development levels are rising across the country the shortage of new homes is unlikely to be fully reversed in the coming years and this will underpin values, particularly in urban markets with rising populations and strong employment prospects.

Against this backdrop, Knight Frank forecasts that residential property prices in the West Midlands will rise by 13% over the next five years. Rental growth is also expected, with rents expected to rise by 10% over the same timeframe.



We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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