

# Birmingham Residential Development Review



2023

Knight Frank's review of the key development and investment themes in the Birmingham residential market

[knightfrank.com/research](https://knightfrank.com/research)





# What is driving housing demand in Birmingham?

The city has plans for some landmark, mixed-use schemes to come forward over the next ten years, but is currently facing an undersupply of housing relative to demand. Birmingham's economy is forecast to outpace the UK average, with housing demand in the city on the rise given its growing population and expanding workforce



ANNA WARD,  
ASSOCIATE

Birmingham is currently under delivering on housing relative to demand. There is a pipeline of large-scale, mixed-use schemes coming forward, including 13 with planning secured for 500-plus units to be delivered over the next decade. However, the current rate of delivery remains well below housing need.

The construction of the High Speed 2 rail link to London is providing impetus for residential and commercial property development and paving the way for blue-chip employers to open up offices in Birmingham, notably Goldman Sachs and HSBC.

The city's economy is also expected to grow significantly over the next decade, boosted by the relocation of finance and tech firms from London and the associated higher salaries on offer from those companies. Its Gross Value Added (GVA), a measure of the value of goods and services produced in an area, totalled £27.8 billion in 2023. Oxford Economics is forecasting this will increase by 16% to £31.8 billion by 2033, ahead of the 15% growth forecast across the rest of the UK. Key growth areas – from life sciences to tech and logistics – are set to power the region's economy as it moves away from its manufacturing heritage.

But challenges lie ahead. High inflation and elevated finance costs are putting pressure on households and businesses. While housing affordability in Birmingham is less acute an issue than other parts of the country, it remains a key focus.

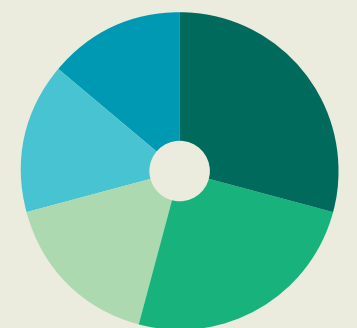
Against this backdrop, there remains an even bigger imperative to provide the right housing and infrastructure for the city's growing population. Residential investors and developers have a unique and significant opportunity to provide much-needed high-quality accommodation in a city with limited stock.

**“The city's economy is expected to grow significantly over the next decade, boosted by the relocation of finance and tech firms from London and an increase in higher earners from the capital.”**

# 53%

of schemes with detailed plans granted in Birmingham are for developments with 100 plus homes

Fig 1: Which job sectors will see the fastest growth in the West Midlands?



Arts, entertainment and recreation	21%
Admin and support	18%
Other service activities	12%
Human health and social work	11%
Financial, scientific and tech	10%

Source: Oxford Economics, Knight Frank Research

### Supply falling short of housing need

There is an undersupply of new housing in Birmingham relative to demand. The latest data on new homes delivery shows that the city continues to fall short of housing need.

There were 3,893 net additional dwellings added to housing stock across the city in the 12 months to March 2022, representing a 9% fall on the pandemic-affected previous year. This is well below the requirement for more than 7,000 homes per annum put forward using the Government's Standard Method of calculating housing need, resulting in a housing shortfall of around 3,959 homes. EPC data suggests that housing delivery in the 12 months to March 2023 could increase by 23% to 3,893 but will remain below need (see Fig 2).

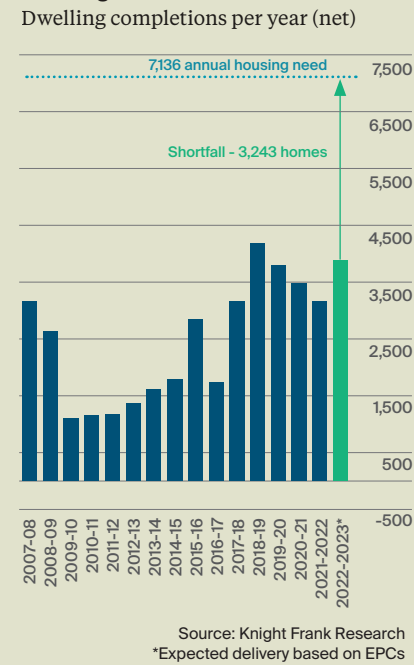
However, more recent EPC data also shows a decline in development in the three months ending June 2023. Overall, the number of EPCs granted to new homes in the city in the first nine months of the year fell by 5% compared with the same period in 2022 to just over 3,000. Development across the wider West Midlands region has also started trending lower, with the number of EPCs granted for new homes falling 10% in the first nine months of 2023 versus the same period last year.

### Planning pipeline

There are currently 18,575 units across 85 schemes of at least 10 units with detailed plans granted in Birmingham.

Of these schemes, over half (45) are schemes of 100 plus units, while 13 are schemes of 500 plus units. These major developments, which will provide over 170,000 sq ft in new retail and commercial space, include: New Monaco on Bristol Street which comprises 1,050 units; Upper Trinity Street, a mixed-use scheme with 943 apartments and the 928-home Stone Yard scheme.

**Fig 2: Housing delivery in Birmingham 2007-2023**

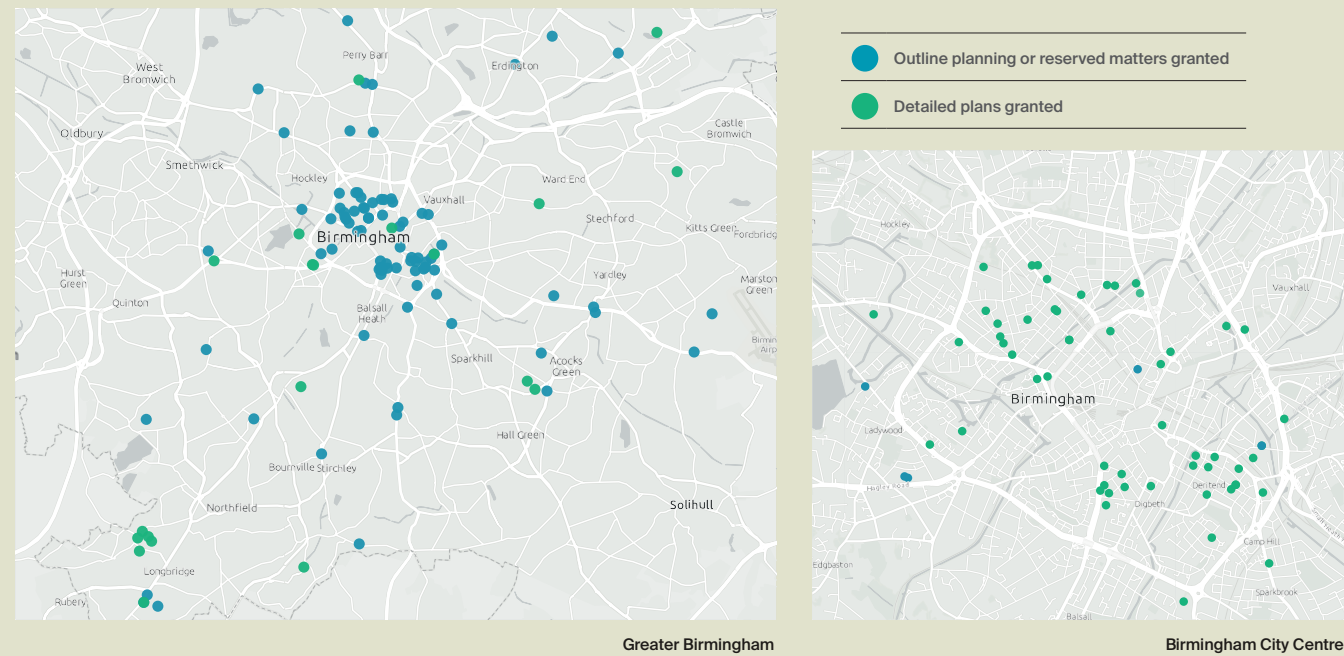


# 18,575

homes across 85 schemes of 10 plus units in the planning pipeline for the next decade

**Fig 3: Planning pipeline**

New housing projects with planning granted in Birmingham and the city centre



### House prices, transactions and affordability

The rate of house price growth has slowed since the frenetic period during the pandemic, but house prices are still outpacing those in London. Average house prices in Birmingham have increased 12% since 2019 to £210,440. Annual house price growth has slowed from a recent peak of 12% in the 12 months to September 2022 to 3% in the year to June. House prices have grown at a faster pace in Birmingham than in London since December 2020. The pandemic period fuelled a 'race for space' which led to a rise in migration from London into the city (see p.5), and boosted housing demand. Between December 2022 and March of this year, house prices in Birmingham were growing faster than all of England's regions.

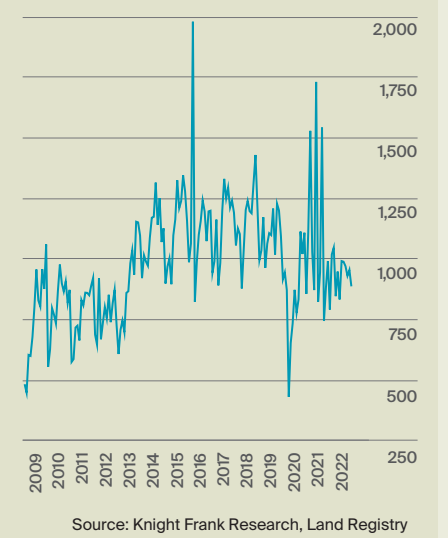
More recent data from OnTheMarket.com shows that house prices grew 6% in the year to July 2023 to £264,203, compared with £248,671 a year earlier.

During the pandemic period, transaction volumes peaked at around 1,700 in June 2021 and remained close to 1,000 per month up until around May last year. Since May, transaction volumes have roughly halved and our trending now towards 500 per month (see Fig 4). A similar story is playing out across the wider West Midlands region where transactions peaked at just over 11,000 in June 2021 and remained close to or above 6,000 per month until December last year before halving to circa 3,000 per month.

Affordability pressures have come more into focus given the recent rise in mortgage rates, but in Birmingham these pressures are being less acutely felt than other parts of the country. The ratio of median house prices to median workplace earnings in Birmingham stands at 6.3. ONS data shows, which is well below the capital's average of 12.5, as well as below the national average for England & Wales of 8.1.

**Fig 4: Transactions ease after pandemic-era frenzy**

Monthly sales volumes. Birmingham

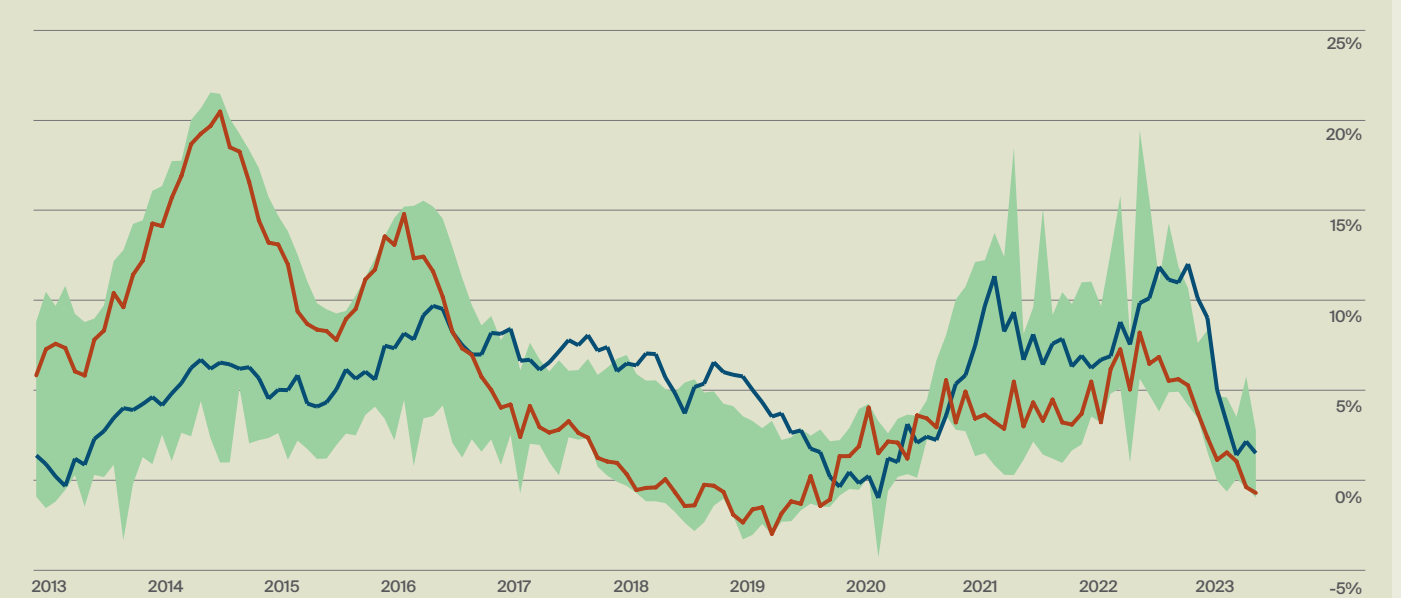


“The rate of house price growth has slowed since the frenetic period during the pandemic, but house prices are still outpacing those in London.”

**Fig 5: Birmingham house price performance vs London**

Annual % change

— London — Birmingham — Spread of house price growth (regional)



### Rental market

Over the past decade, rental demand has increased in the city. Out of all Birmingham households in 2021, a total of 22.6% rented privately in 2021, up from 17.9% in 2011, according to the latest Census. Rising mortgage rates and squeezed affordability are also driving more demand for rental product. Average asking rents across Birmingham have increased 14% over the past year from £907 to £1,035, according to Rightmove data for the year ending July 2023.

This is driving more institutional investment into key living sectors. Build to Rent (BTR) activity has been concentrated on regional markets in the first half of 2023, with deals outside of London accounting for 90% of total spend. Regional activity has been led by Birmingham, Belfast and Leeds.

In terms of new supply, 7,206 additional BTR homes are expected to complete by the end of 2026, according to Knight Frank data. Currently, 7,354 are under construction and a further 8,196 have full planning granted.

Birmingham also attracts a high number of students and has the seventh highest enrollment figures out of a total of 169 universities across the country. The student population included 23,155 undergraduate and 12,605 postgraduate students in 2019–20, according to the Higher Education Statistics Agency. Headline rental growth for purpose-built student housing in Birmingham increased 2.1% in 2021-22, according to Knight Frank's Student Property Index.

### Migration

Pre-pandemic, internal domestic migration into the South East region from other parts of the UK had been steadily rising. Numbers increased from 42,891 in the year to June 2015 to 51,981 by the year to June 2019, a rise of 21%, according to ONS figures. This figure fell 11% during the year to June 2020, when restrictions were in place on moving home in the spring. On average, London represents around 15% of all annual UK-migration to the South East region.

More recent data suggests an uptick in high earners moving from London to Birmingham. Data from Experian suggests that the number of movers earning over £70,000 per year increased by 26% last year compared to the year before.

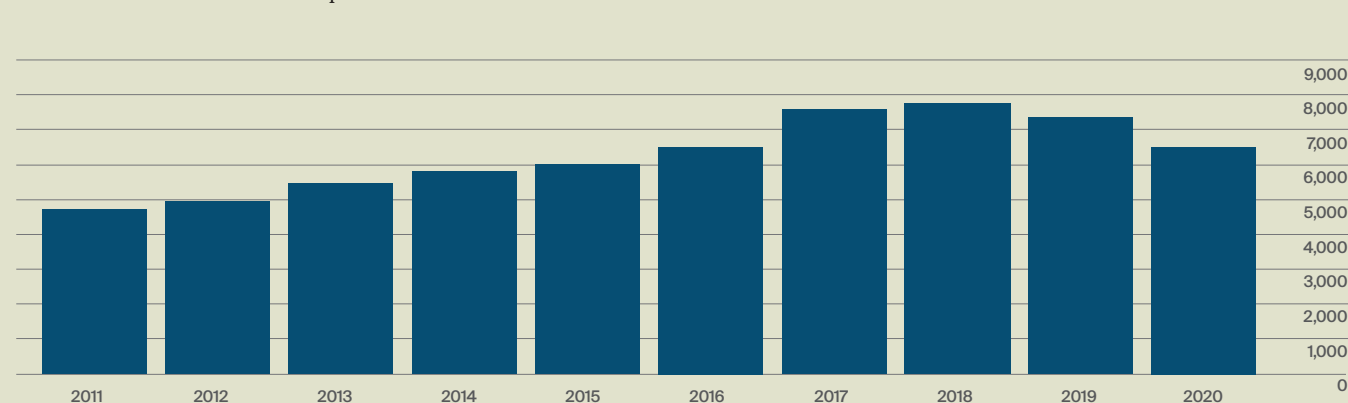
The overall population of Birmingham currently stands at 3.1 million and is projected to grow 2% to reach 3.2m over the next decade, according to Oxford Economics.

“Build to Rent activity has been concentrated on regional markets in the first half of 2023, with deals outside of London accounting for 90% of total spend. Regional activity has been led by Birmingham, Belfast and Leeds.”

# 26%

The rise in number of movers from London to Birmingham earning over £70,000 per year in 2022 vs 2021

**Fig 6: Migration from London to Birmingham**  
Thousands of movers from the capital



Source: Knight Frank Research, ONS

## Key takeaways



There is a pipeline of large-scale, mixed-use schemes coming forward, including **13 with planning secured for 500-plus units** to be delivered over the next decade. These developments will provide over **170,000 sq ft in new retail and commercial space**.

Source: Molior London and developer websites



Birmingham's Gross Value Added (GVA), a measure of the value of goods and services produced in an area, **totalled £27.8 billion in 2023**. Oxford Economics is forecasting this will **increase by 16% to £31.8 billion** by 2033, ahead of the 15% growth forecast across the rest of the UK.



The ratio of median house prices to median workplace earnings in Birmingham stands at 6.3, ONS data shows, **which is below** the national average for England & Wales of 8.1.



Over the past decade, rental demand has increased in the city. Out of all Birmingham households in 2021, a total of 22.6% rented privately in 2021, **up from 17.9%** in 2011, according to the latest Census.



Birmingham has one of the highest graduate retention rates in the country, with 41% opting to stay on. This is the **fourth highest** rate of any UK city.

Source: 2019/20 intake, Liberty Living, 2019



There has been an uptick in high earners moving from London to Birmingham. Data from Experian suggests that the number of movers earning over £70,000 per year **increased by 26%** last year compared to the year before.



Keep up to speed with global property markets with our range of dedicated sector newsletters

**SIGN UP ONLINE**

#### Research



**Anna Ward**  
Associate  
+44 20 3861 6991  
anna.ward@knightfrank.com

#### Residential Development



**Liam Smith**  
Head of Residential Investment, Birmingham  
Partner  
+44 12 1233 6446  
liam.smith@knightfrank.com

#### Recent Residential Development Research



Student  
Accommodation  
Survey 2023



Senior Housing  
Development Update  
2023



Residential  
Land Index  
Q2 2023