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# Birmingham

## Investment Guide

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MARKET ESSENTIALS 2020

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From burst banks to Brexit, Storm Ciara to Covid, the nation continues to tackle the beatings blow by blow; its latest right hook in the form of a global pandemic. As the repercussions uncover themselves, we look at the impact on Birmingham - and so far, it looks pretty good. Knee deep in the largest regeneration project the city has ever seen, while other regions are against the ropes, Birmingham is on its feet, gloves up and ready for battle.

With the second largest economy in the UK, Birmingham is big news. A far cry from its roots as an industrial city of the past, this modern-day hot spot has retained its unique history and spirit ingrained in its fabric and has now evolved into a vibrant, exciting land of opportunity.

Rapid innovations in science, manufacturing and technology have seen its economic landscape transform into a

vast multi- functional work space practising exceptional levels of creativity and providing the economic base for prosperity that remains embedded in the city's culture to this day.

**“An embodiment of cultural flair and academic excellence”**

Birmingham's five universities, great shopping, vibrant nightlife, excellent schools and national and international transport links (90% of the UK is within a 4 hours drive of Birmingham) are just some of the reasons why the city has caught the attention of global property investors.

It is the youngest city in Europe<sup>1</sup>, demonstrating the appeal it has to young professionals looking for the 'urban city-centre lifestyle', delivering excellent employment opportunities and quality amenities on their doorstep. It also offers an array of cultural, retail, and culinary experiences, attracting 39 million visitors per year<sup>2</sup>.

Named as the best UK city to invest in, Birmingham is undergoing an unprecedented period of investment and development. The city continues to establish its position as an attractive investment opportunity and a business location for corporations around the world.

90%

of the UK is within 4 hours drive of Birmingham<sup>3</sup>





# The rise of regeneration.

Birmingham's new development pipeline is growing, providing progressive and vibrant working, living and shopping spaces. One look at the skyline demonstrates just how much property development in the city has evolved over the last decade, laying the foundations amply for further growth to come.

## The Big City Plan

Birmingham City Council's Big City plan is a 20-year City masterplan to encourage and support Birmingham's continuing transformation

**"It is the most ambitious regeneration plan ever to be undertaken"**

expanding the city's core by 25%, bringing over 50,000<sup>4</sup> jobs to the city and redefining the commercial, retail, residential and leisure sector landscapes.

### City Living

The Big City Plan is set to revitalise the swathes of presently underutilised land in this area and fuelled in part by its rising population - 10% over the last decade. With additional 100,000 people living in the city,

this trajectory is set to continue, with forecasts suggesting that more than 3,300 additional households will be required every year until 2030<sup>5</sup>.

**So what regeneration projects are propelling Birmingham's second city status?**



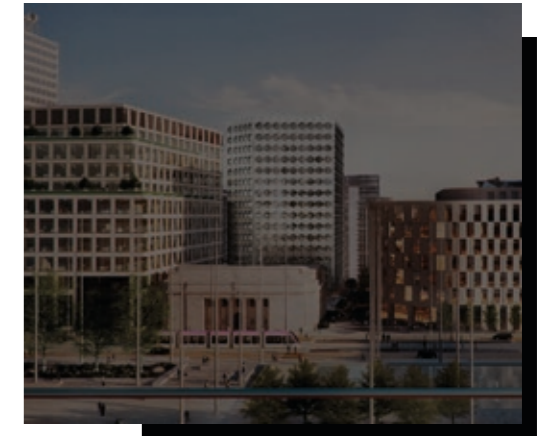
## Birmingham Smithfield

The former home of Birmingham's wholesale markets, Birmingham Smithfield is a 14-hectare site between the city's Eastside district, Chinese quarter and the main city centre shopping area.

Its £500 million development plan will see the site completely transformed into a vibrant retail, leisure and residential destination, with more than 100,000 square metres of floorspace and plans for 1,000 new homes. The project is expected to create 3,000 new jobs and add £470 million GVA to the local economy<sup>6</sup>.

## Arena Central

Arena Central sits close to the Paradise development and a stone's throw from Birmingham's popular Mailbox district. Another landmark development for Birmingham, this is the site of the new HSBC UK headquarters and in 2017 earned the city's biggest pre-let in a decade from the Government - an entire 240,000 square foot building to house a number of its services, including the Midlands regional hub for HMRC.



## Paradise Birmingham

This £700 million project, which is well underway, will introduce 1.8 million square feet of new grade A office space, retail, leisure and a circa 250-bedroom hotel into one of the most central parts of the city centre. It will also open up the gateway between the city centre and Birmingham's Westside area of the city, which is home to Brindleyplace and Deutsche Bank, the Library of Birmingham, Birmingham Symphony Hall & ICC and the new Arena Central development.

Financial services firm, PwC, has already agreed a pre-let for the entire building at One Chamberlain Square - the first building set to complete in 2019. The wider project is set to complete in 2026.



# Booming Student Hub.

It seems Birmingham is a fountain of youth. In fact, with 40% of the population under the age of 25<sup>7</sup>, this makes it the youngest city in Europe. Great news for buy-to-let investors; a captive market of twenty and thirty somethings who favour the flexibility of renting.

## A Student City

The growing appeal of Birmingham City Centre has meant that the students are ever-more likely to stay in the city to pursue the attractive career prospects Birmingham has to offer, allowing the city access to a pool of over 80,000 students<sup>8</sup>.

## Skilled Workforce

As well as an abundance of young professionals living in the city, Birmingham has access to 6 million people<sup>9</sup> of working age within an hour of the city centre.

**“The number of highly skilled jobs available in Birmingham has risen by 17% within the last 5 years.”**

attracting more professionals

to work in the city. Workers in the West Midlands are more likely to be in paid employment than anywhere else in the Eurozone which has an unemployment rate of 7.1%<sup>11</sup>, compared to the West Midlands at 4.5%<sup>12</sup>.

## Regeneration

Construction of a new purpose-built teaching and learning facility at the heart of the University of Birmingham Campus has recently been completed. A hub for education, the facility provides a state-of-the-art teaching and social study space to support the modern learning experience in Birmingham.

It consists of a 500 seater lecture theatre, 250 seater interactive lecture theatre, 10 seminar rooms for 30 students at a time, a café and learning spaces for up to 1,000 students, which will include areas for individual study, group work and break-out sessions.

Building of the new facility completed early this year underlines the University’s commitment to providing the best buildings and facilities for its students, staff and researchers.



## Commonwealth 2020

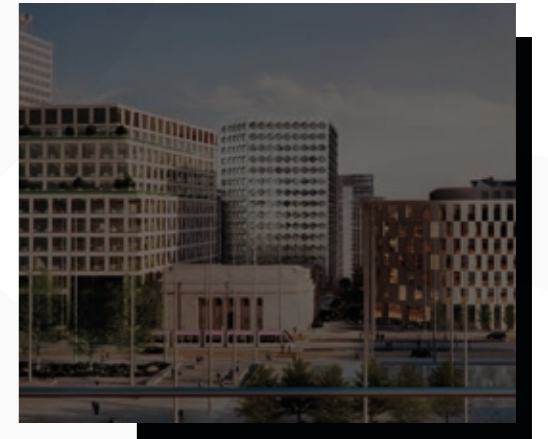
Birmingham will also be hosting Commonwealth games in August 2022, attracting over 1 million spectators during the games and of course, a welcomed boost to the local economy and the property market.

Students starting university in Birmingham between 2019 and 2021 will have unparalleled opportunities to get involved with this global sporting event.

According to Birmingham City Council, the Games

are expected to create on average 4,526 jobs a year until 2022, 950 thereafter.

The largest sporting event for the UK since the 2012 Olympics in London, the 2022 Commonwealth Games is set to shine a huge global spotlight on the city and generate an estimated £750 million<sup>13</sup> boost to its economy.



**“The commonwealth games are expected to create on average 4,526 jobs a year in Birmingham until 2022”**

# 40%

of Birmingham’s population is under the age of 25<sup>7</sup>



# A vibrant culture.

Birmingham's unique blend of contemporary and historic amenities and attractions create a lively cityscape and lifestyle, making it an attractive place to live, drawing visitors from across the country and beyond. The city has a rich cultural offering across a range of museums, music venues, theatres, cinemas and galleries.

## Investment

In terms of investment in leisure in the city, it has been granted a £70m expansion to the Alexander Stadium as well as £60m for a new aquatics centre in the heart of Sandwell. On to retail splendour and again the city rates highly.

## Retail

From power-house malls aka The Bull Ring, Mailbox and Grand Central, to smaller independent boutiques, there's something for the worldliest of shoppers.

**“The bullring is one of the UK’s largest shopping centres with over 160 shops, restaurants and cafés art.”**

Incorporating Selfridges and its architecturally acclaimed skyline, The Bullring is one of the UK's largest shopping centres with over 160 shops, restaurants and cafés.

The mailbox comes complete with a luxury feel with Harvey Nichols as its flagship store and further high-end fashion, art and furniture outlets.

## Food and drink

Indoor and outdoor markets with food from around the world bring culture and diversity to the shopping quarters. Grand Central has more than 60 premium shops, as well as restaurants, cafés and bars. It is also home to the award winning Digbeth Dining Club.



## Museums

The Birmingham Museum and Art Gallery holds one of the world's most comprehensive pre-Raphaelite collections, relics from Egypt, ancient Rome and ancient Greece, as well as the largest collection of Saxon gold ever discovered.

## Art

Collections of local and international artists can be found at the Ikon Gallery and the Eastside Projects house two galleries which each exhibit four to five collections a year.

For something a little more dramatic, Mac Birmingham offers everything from theatre and comedy, to the cinema, dance and visual art.

## Family activities

Think family day out, think Thinktank. Four floors of interactive scientific wizardry, with subjects heavily weighted to Birmingham's part in the industrial revolution.

Visitors can engage with science workshops, and solve crimes using modern techniques.

**“Birmingham also has it’s own BBC base that houses legacy TV memorabilia that can be visited by the public.”**

## Sport

In terms of sporting prowess, Birmingham is home to two professional football teams, Birmingham City and Aston Villa. It has an excellent record of delivering many international sports events such as: ICC Champions Trophy, ICC World Cup, The Ashes, Rugby World Cup, Aegon Classic and many more.

The Birmingham and District Cricket League is the oldest in the world, and Edgbaston Cricket Ground is the home of Warwickshire County Cricket Club.

Having a colourful arts and culture scene provides a huge benefit to the city in terms of attracting new residents and boosting tourism, which of course is the core of any buy-to-let investment.



Birmingham has been granted

# £70m

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for a new aquatics centre



# Advanced Infrastructure.

Located at the heart of England, Birmingham is the most connected city in the UK; soon to be even better connected following the airport's expansion bid to make the Midlands the 'Gateway to the World', and of course HS2, Europe's largest infrastructure project worth £56 billion, set to reshape North South commutes.

## High Speed 2

Europe's largest infrastructure project, with an investment of £56 billion is set to completing in 2026, connecting around 30 million people.

Phase one is scheduled for completion between 2029 and 2033 running between London to Birmingham, with high-speed train services from two stations at Curzon Street and Birmingham Airport.

## Curzon Street

Curzon Street station will be the first brand new intercity terminus station built in Britain since the 19th century. Eventually, there will be 9 trains per hour in each direction from the station.

Birmingham City Council's Curzon Street Investment Plan will see £900 million spent on regenerating the area around the new station. The scheme will take place over 30 years, leading to the creation of several new neighbourhoods across

almost 150 hectares, including 4,000 homes and 36,000 jobs.

## Commuting

The project will see Birmingham and London travel times slashed to 49 minutes, vastly increasing accessibility to jobs for city commuters.

**“HS2 has already delivered 9,000 jobs in total with 7,000 of those placed in Birmingham.”**

The project is expected to provide a further 100,000 jobs in total.

## The Metro

The West Midlands Metro tram system added two further stops to its route in 2019 and further works to expand the

service to Edgbaston via Broad Street by 2021 are already underway. In addition, a £200 million investment has been made towards the creation of a new Sprint bus system to connect the West Midlands, with three of a planned seven services scheduled to be operational in time for the start of the Commonwealth Games.



## Metro-link Expansion

Construction on this extension, which is a little over 2km in length and will be delivered in two phases. When fully completed the West Midlands Metro will operate between Grand Central in the city centre to Hagley Road in Edgbaston.

## Phase one

The first phase of development will continue from Grand Central, past Birmingham's Town Hall to Centenary Square. The extension will provide West Midlands Metro stops serving Victoria Square, Paradise and Arena Central developments. Improvements

to public realm will form part of works, including planting trees along the route.

## Airport Masterplan

The plan reveals how the airport will make a self-financed investment of £500 million over the life of the plan to improve, modernise and extend facilities that will deliver increased capacity for airline customers and enhance the passenger experience.

## Growth Catalyst

The draft master plan further reinforces the part the airport plays as a catalyst for growth across the Midlands and in the UK's economic

prosperity. It outlines the airport's role in driving future economic benefit to the region which will increase by 42%, totalling £2.1 billion a year and 34,000 jobs by 2033<sup>15</sup>.

## Property Prices

Major infrastructure projects tend to increase property prices, and this is especially true of rail projects. If we look at Crossrail as an example, house prices along its route increased by 30% to 60% more than house prices away from the area of immediate impact.

**“Birmingham's Airport Masterplan will increase economic benefit in the area by 42%, totalling £2.1 billion a year and 34,000 jobs by 2033.”**



HS2 will lead to the creation of several new neighbourhoods across almost 150 hectares, including

**4,000** & **36,000**  
homes                      jobs



# Birmingham after Brexit.



**“The Covid-19 pandemic has demonstrated what happens to the property market in periods of extreme uncertainty.”**

Samuel Richards  
Property Investment Consultant

The global impact of the Coronavirus pandemic has understandably overshadowed Britain's exit from the EU. The long awaited 'Brexit Day' occurred on the 31st of January this year with the newly negotiated positions on trade, travel, regulation and immigration set to come into effect as of January 1st 2021.

There is still much uncertainty surrounding the topic as citizens and businesses prepare for the changes and opportunities that lie ahead. How will Brexit and the many changes associated with it, impact upon Birmingham property prices?

## Generating demand

The Covid-19 pandemic has demonstrated what happens to the property market in periods of uncertainty. To generalise, buyers postpone their purchasing decisions to await clarity, or they adopt an opportunistic approach to making offers.

High end properties are typically more significantly impacted, as the price elasticity of luxury goods is higher. For mid-market properties demand is inelastic as citizens will continue to need homes in prime locations, such as Birmingham city centre.

The short-term reduction in buying activity increases demand for rental accommodation, as households seek flexibility whilst awaiting more stability from the property market and broader economic clarity.

If we assume that the effects of Brexit could potentially mirror those of Covid-19, Brexit could result in a vast increase in rental demand in the city which would benefit Birmingham property investors.

## Government Investment

In order to boost the economy, the government has been setting out a path of fiscal stimulus, namely large-scale infrastructure and regeneration projects.

Having reached the limits of monetary policy stimulus (low interest rates and quantitative easing), turning on the spending taps is the only means of kick starting the economy.



## Birmingham house prices



## Regeneration

Birmingham is set to benefit from such expenditure; not only via the positive impact of High Speed 2, but also through the material improvement of the city centre and the ambitious expansion of several projects such as the Smithfield development. Birmingham property prices may rise to reflect the tangible improvements of the city centre.

## Supply Side

Potential sellers will echo the approach of buyers in delaying their moving decisions. Therefore, the number of properties coming to market will fall without prices necessarily being lowered.

In terms of property supply, construction costs have been steadily increasing in the past year and Brexit may accelerate this if access to international labour sources is diminished. Such an increase in construction costs would be passed on in the form of higher property prices, therefore Birmingham's new build prices may be 'price pushed' which will benefit those currently holding assets in the city.

## The fundamentals

Regardless of Brexit uncertainty, Birmingham's population is continuing to grow at pace. The city welcomed over 100,000 new residents in the past decade and such demand is driving increases in property and rental values.

The broader trend of young people seeking to live in city centre's is unlikely to be impeded by Brexit, this is a deeper cultural shift fuelled by the improved desirability of the city centre as a residential destination.

Property values will continue to rise due to the continued population growth, the ongoing material improvement of the city, the infrastructure upgrades and the once-in-a-century regeneration that is currently underway.

Brexit will undoubtedly pose challenges for citizens and businesses alike, but we feel Birmingham's rise as the UK's second city will be unimpeded in the long term.

In the short term, uncertainty only serves to increase rental demand benefiting those with well-located properties. Buy-to-let will continue to offer a robust income producing option for investors, with stable mid to long term upside potential.

Thanks to the current regeneration that is underway, Birmingham is uniquely well placed to ride out the uncertainty of Brexit. We feel that now is the time to position yourself to capitalise on the future of Birmingham.



# Assessing the risk.



## Bucking the trend or dodging the punches?

We asked our CEO Joe Billingham what he thinks the key factors are that could shake the city in the and where he would rate them in terms of threat on investment.

### Employment



#### Risk Factor 3

Highly skilled workforces are on the up especially across the Science and Technology sectors. Birmingham wants talented, driven individuals and it can afford to pay for them. This is a great position for the city as key players compete for talent to bring to the area.

Property will benefit as a result, both in the residential and commercial sectors as we welcome high-flying executives to the region along with their families ...and their salaries.

With regeneration at its peak in Birmingham, demand for roles across the whole of the construction and development industry will remain consistently high.

### Brexit



#### Risk Factor 2

A hard Brexit is indeed a risk, but it also something that remains uncertain and unpredictable. That said, Birmingham has very different fundamentals in terms of supply and demand which brings our risk rating down to a 2.

Moreover, the opportunities presented as result should not be overlooked, as mentioned in our previous piece, Birmingham after Brexit. As the value of the GBP is driven down, overseas investor interest is driven up, which is a positive for us as developers.

Birmingham's housing demand remains in a buoyant position and as such we're confident the city will withstand a Brexit beating.



### Planning



#### Risk Factor 4

Planning has been an issue for many developers, both local and larger London developers wanting exposure in Birmingham. The systems need an overhaul, a streamlining... a greater sense of urgency.

There's a collective hunger to build, progress and grow from both sides of the fence yet the progress remains thwarted by archaic council legislation.

There is every indication this has been recognised by Boris and the cabinet and as an industry we relish the opportunity to work with the authorities in raising our city to new heights.

### Affordability



#### Risk Factor 3

This one's a little harder to dodge. If capital values rise at the rate they have over the past few years, one of the city's biggest and most difficult challenges will be affordability.

### Accommodation



#### Risk Factor 3

Birmingham needs more, high-end accommodation. Visitors to the city from London and overseas simply do not have the choice of hotel accommodation a city of our size and stature should hold.

**“As markets rise, so will prices and so will the challenge faced by local people on local salaries. Precisely as we saw in London, local buyers become overseas buyers as they get outpriced of the area.”**

### Quantitative easing ending

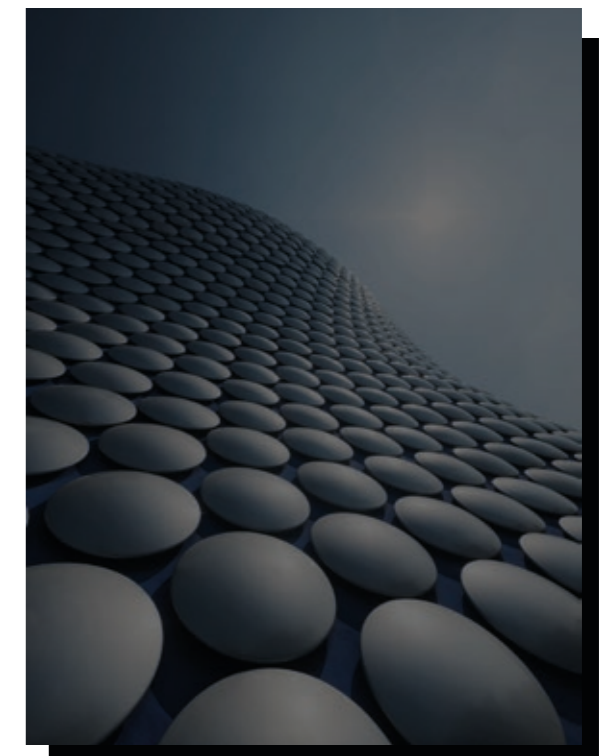


#### Risk Factor 3

Whilst conventional quantitative easing measures used after the 2008 financial crisis were directed to the banks, this time it's been purposely routed into small and medium size businesses. This has without doubt aided the sense of fear that Covid's colossal job losses could have otherwise caused.

With the BBLs (Bounce Back Loan Scheme) softening the bitter bill of unemployment for many self-employed and casual labourers of which Furlough could not help, the sense of panic has to some degree been kept at bay. However, as we navigate our way from here, the extent of the damage to the average person's pocket is far from clear.

The Bank of England has indicated that interest rates are now on an upwards trajectory. However, rates are also expected to peak at lower levels than we were used to pre-2008. The risk premium offered by property yields will absorb the majority of this increase.



### Office Rental Sector



#### Risk Factor 3

Watching the city's movement closely, Birmingham's economy has seen a shift towards a more service driven environment - a back office provider if you will

for some of the country's major firms, with HSBC the trendsetter and many major league players following suit. With a

**“40% saving on every employee at a desk in Birmingham over London”**

we can see why so many businesses are relocating to the second city.

Hygiene and safety standards will feature more highly than ever and ground floor office space and open environments free of lifts are sure to fetch a premium. These Covid driven purchase and lease decisions will surely impact on our commercial property sector.





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TO DISCUSS AN INVESTMENT  
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