

Birmingham Residential Development



2025

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

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Introduction

Birmingham is positioned for sustained economic growth, driven by a shift towards life sciences and technology, as well as the arrival of HS2 later this decade. However, further investment in infrastructure and housing will be essential to meet increasing demand



ANNA WARD, ASSOCIATE

In recent years, Birmingham has strengthened its position as a centre for economic growth outside London.

Key sectors such as professional services and technology have attracted significant investment, with global firms like PwC, and Goldman Sachs establishing operations in the city. Commercial and residential developers have responded by bringing forward new projects in the city. In the last year alone, 15 major urban redevelopment initiatives have been approved to deliver nearly 8,000 new homes, alongside new offices, retail, and public spaces, supporting the city's transformation. Digbeth, Birmingham's creative quarter, is undergoing significant regeneration and will soon house the BBC's new 84,000 sq ft headquarters, currently being built at the historic Typhoo Wharf factory.

In total, 65 development schemes of 100-plus units have been approved within the last five years to be delivered within the next decade, new data from Molior shows.

Building at scale is necessary to house Birmingham's rapidly growing population, boosted by young professionals and families seeking affordability and opportunities. Last year, office take-up reached 854,000 sq ft, up 22% compared to 2023 and 12% above the 10-year annual average. Housing development has ramped up accordingly, with 4,546 new homes delivered between 2023 and 2024.

The arrival of HS2 later this decade, linking Birmingham and London in under an hour, will further enhance connectivity and reinforce its role in national economic development. Meanwhile, the city's economy is set to expand significantly, with its Gross Value Added (GVA) rising 19% from £34.0 billion in 2025 to a projected £40.6 billion by 2035, according to Oxford Economics. Growth areas such as life sciences, tech, and renewable energy are driving a shift from Birmingham's manufacturing roots.

Challenges remain. Inflation and finance costs, though easing, continue to pressure households and businesses. Housing affordability, while less severe than in other regions, is still a critical issue. To support the city's expanding population, there is a pressing need for further investment in housing and infrastructure.

“Building at scale is necessary to house Birmingham's rapidly growing population, boosted by young professionals and families seeking affordability and employment opportunities. Housing development has ramped up accordingly, with 4,546 new homes delivered between 2023 and 2024.”

£40.6bn

Birmingham's predicted Gross Value Added (GVA), a measure of all the goods and services produced in an area, by 2035, according to Oxford Economics

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

% change in employee headcount by 2035



Source: Oxford Economics, Knight Frank Research

Supply outlook

The latest data on new homes delivery shows a long-term trend of under-supply, despite a recent jump in net additions.

There were 4,546 net additional dwellings added to housing stock across the city in the 12 months to March 2024, representing a 48% jump on the previous year when 3,062 homes were delivered.

The new UK government has just published a revised National Planning Policy Framework which introduces significant changes to the way local authorities assess their local housing need.

Birmingham City Council has seen a near-40% decrease in the number of new homes required under the new method, dropping from 7,174 to 4,448 homes per year. However, despite the recent jump in net additions, the long-term trend of delivery over the previous 10 years (2013-2023) stands at 2,700 homes underscoring the long-term structural challenges facing housing delivery.

For the purpose of local plan-making, barring a few exceptions, these changes take effect from 12 March this year.

Planning pipeline

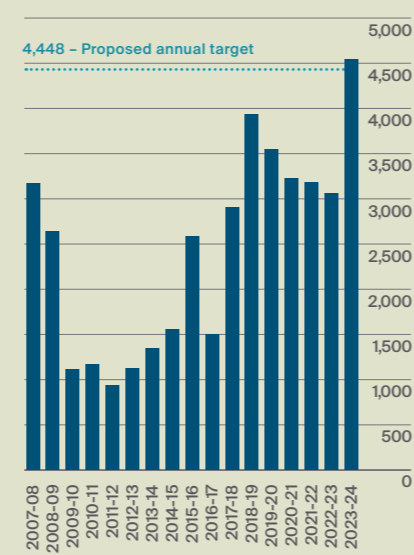
Looking at developments of at least 10 units, there are currently 27,751 units across 167 schemes in Birmingham with detailed plans granted, according to Glenigan.

A closer look at the pipeline for major developments, schemes of 100-plus homes, from new data released this year from Molior, shows 65 such schemes have been approved within the past five-year period, including 15 last year which will deliver 7,846 new homes.

The largest of these developments is Lendlease's £1.9 billion regeneration plans for the Smithfield area in Birmingham city centre, which encompasses 3,000 new homes on brownfield land and was approved in June last year. Other major regeneration schemes include the Warners Fields scheme in Digbeth, which will deliver 1,351 new homes in phase one as part of a new neighbourhood centred around River Rea, which is not currently accessible to the public.

Fig 2: Housing delivery in Birmingham 2007-2024

Dwelling completions per year (net)



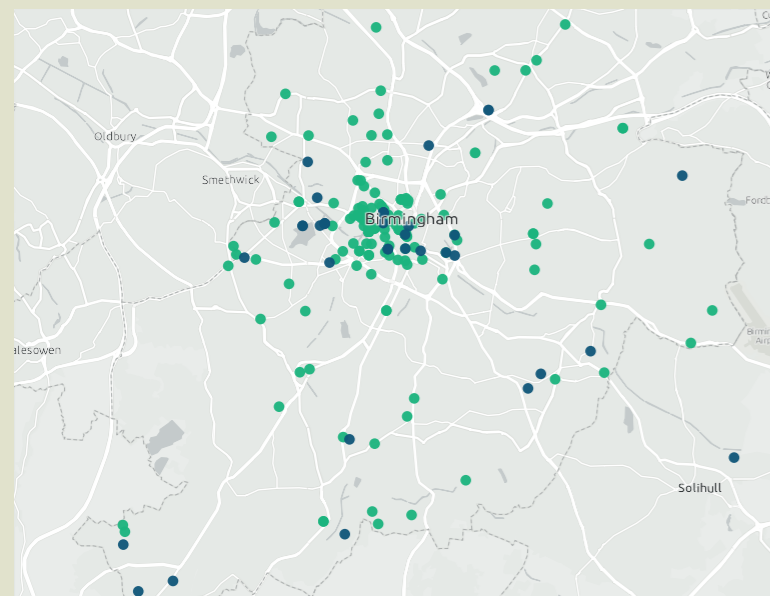
Source: Knight Frank Research, ONS

27,751

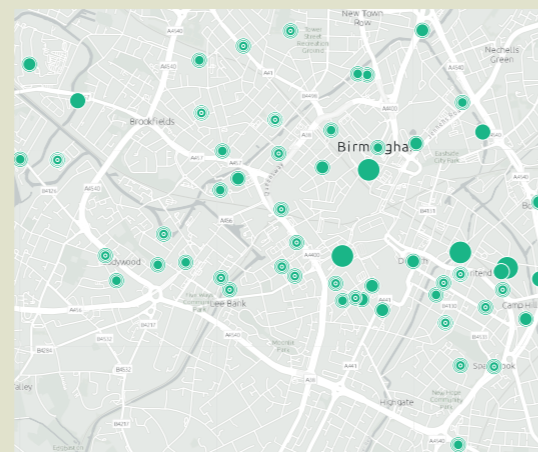
homes across 167 schemes of 10 plus units in the planning pipeline for the next decade

Fig 3: Planning pipeline

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



Greater Birmingham



Birmingham City Centre

Source: Glenigan, Molior, Knight Frank Research

House prices, transactions and affordability

House prices in Birmingham are growing at a faster rate than those in London, even though the pace of growth has slowed since the pandemic's peak. Average house prices in Birmingham have increased 26% since 2019 to £240,322, official data shows, compared to 10% in London. Annually, average house prices rose 3% in the 12 months to the end of October last year, while in the capital, prices were flat. The pandemic period fuelled a 'race for space' which led to a rise in migration from London into the city (see page 6), and boosted housing demand.

Data from OnTheMarket shows average house prices in Birmingham were flat last year compared to the year before at £254,964.

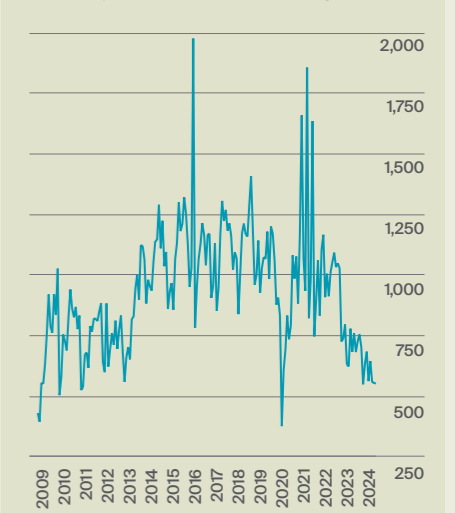
During the pandemic period, transaction volumes peaked at around 1,700 in June 2021 and remained close to 1,000 per month up until around May 2022. Since then, transaction volumes have roughly halved and are now trending towards 500 per month (see fig 4). A similar story is playing out across the wider West Midlands region where transactions peaked at just over 13,000 in June 2021 and remained close to or above 6,000 per month until December 2022 before easing to circa 4,000 per month.

Despite the uncertainty around borrowing costs, financial markets expect about two rate cuts in 2025, which would support demand, and boost transaction volumes.

Affordability pressures have come 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 6.6, ONS data shows, which is well below the national average for England & Wales of 8.1. It is also below the average for the wider West Midlands region of 7.2.

Fig 4: Transactions ease after pandemic-era frenzy

Monthly sales volumes. Birmingham



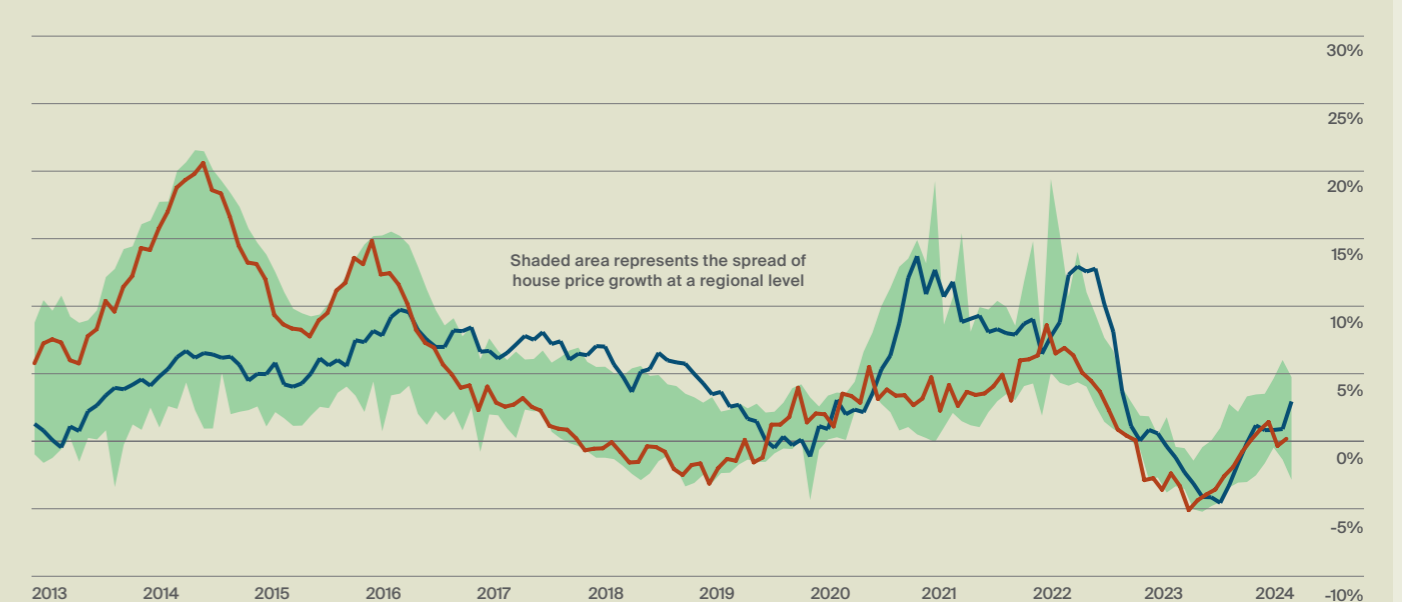
Source: Knight Frank Research, Land Registry

“House prices in Birmingham are growing at a faster rate than those in London, even though the pace of growth has slowed since the pandemic's peak.”

Fig 5: Birmingham house price performance vs London

Annual % change

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



Source: Knight Frank Research, Land Registry

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 for flats (of all bedroom numbers) across Birmingham have increased by over a fifth over the past three years from £1,005 in 2021 to £1,222 last year, according to OnTheMarket data.

This is driving more institutional investment into key living sectors. Last year, more than 22,300 new Build to Rent (BTR) homes were completed across the UK, marking a record year of delivery for the sector. Supply continues to build in regional markets, with 68% of completions last year outside of the capital (see Fig 7) led by Manchester and Birmingham.

Currently, there are 6,468 completed BTR units in Birmingham, plus 5,621 under construction. The market penetration rate, the number of BTR homes (complete and under construction) as a proportion of private rented sector (PRS) households, stands at 12.7%.

Birmingham also attracts a high number of students and has the seventh highest enrolment figures out of a total of 169 universities across the country. The student population included 24,885 undergraduate and 13,825 postgraduate students in 2022–23, according to data from the *Higher Education Statistics Agency*. Headline rental growth for purpose-built student housing in Birmingham increased 6.7% in 2022-23, compared to a year earlier, according to Knight Frank's Student Property Index. This is higher than performance across the UK as a whole of 5.3%.

Migration

Migration levels into Birmingham from London the UK have been steadily rising. The most recent data available shows that migration from the capital climbed to nearly 9,000 in 2022, up from 8,405 the year before, and representing a 20% jump compared to pre-pandemic levels in 2019. Over the past decade, migration from London has increased by nearly 80%.

“Average asking rents for flats (of all bedroom numbers) across Birmingham have increased by over a fifth over the past three years from £1,005 in 2021 to £1,222 last year.”

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 20% last year compared to the year before.

The overall population of Birmingham currently stands at 2.9 million and is projected to grow 6% to reach 3.1 million over the next decade, according to Oxford Economics.

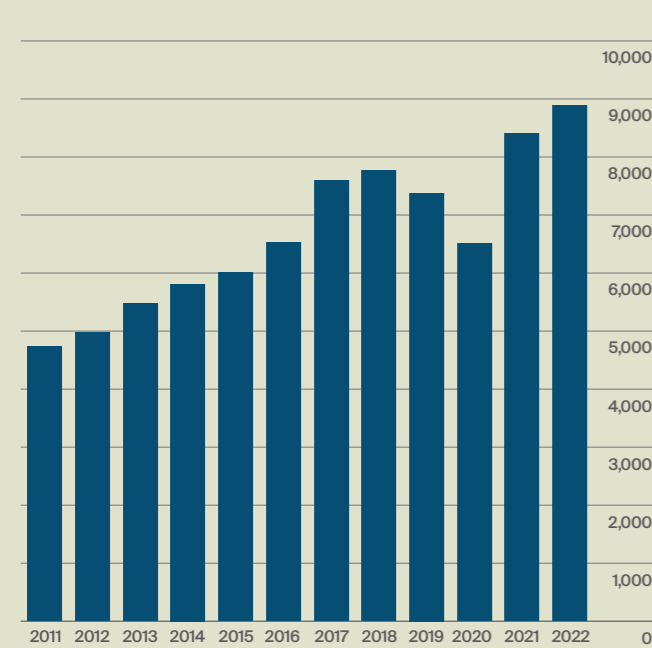
Outlook

We expect average UK house price growth of 2.5% this year, rising to 3% in 2026, and 3.5% in 2027. This is down from our previous August 2024 forecast of 3%, 4% and 5% respectively. Over the five-year period, we expect cumulative growth of 19.3%, which compares to an equivalent figure of 20.5% three months ago. We think affordability pressures will continue to be felt more acutely in the capital than other regions of the country, such as Birmingham.

20%

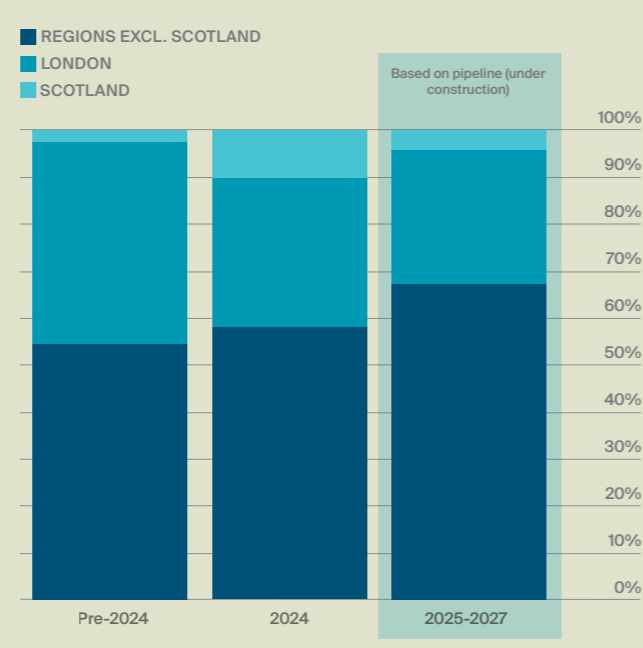
The rise in number of high earners (earning over £70,000 per year) moving to Birmingham from London in 2024 versus 2023

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



Source: Knight Frank Research, ONS

Fig 7: BTR delivery by region
% of BTR units delivered



Source: Knight Frank Research

Key takeaways



There is a pipeline of large-scale, mixed-use schemes coming forward, including **65 with planning secured for 100-plus units** to be delivered over the next decade. These developments will provide over **7,846 new homes, alongside new retail and commercial space**. Source: Mollor London



Birmingham's Gross Value Added (GVA), a measure of the value of goods and services produced in an area **is forecast to increase by 19% to £40.6 billion** by 2035, according to Oxford Economics.



The ratio of median house prices to median workplace earnings in Birmingham stands at 6.6, 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.



Headline rental growth for purpose-built student housing in Birmingham increased **6.7%** for the 2022/23 academic year, according to Knight Frank's Student Property Index. This is higher than performance across the UK as a whole of **5.3%**.



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 20%** last year compared to the year before.

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