



Birmingham Economic Review 2019

Chapter 3: Connecting Communities with Opportunities

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Introduction

The annual Birmingham Economic Review is produced by the University of Birmingham's City-REDI and the Greater Birmingham Chambers of Commerce, with contributions from the West Midlands Growth Company. It is an in-depth exploration of the economy of England's second city and a high-quality resource for informing research, policy and investment decisions.

What follows is a summary version of the full Birmingham Economic Review 2019. The full-length publication can be found on the Greater Birmingham Chambers of Commerce website, or requested using the contact details at the end of this document. Data and commentary were correct at the time of publishing: October 2019.

Index

Foreword and Executive Summary: Scorecard for Birmingham

Chapter 1: Adapting, Innovating and Leading the Future

Chapter 2: Creating a Workforce Fit for Tomorrow

Chapter 3: Connecting Communities with Opportunities

Chapter 4: Making Inclusive Economic Growth Happen

Chapter 5: Changing Perceptions of Birmingham

Conclusion

All Chapters of the *Birmingham Economic Review 2019* can be found online on the [Greater Birmingham Chambers of Commerce website](#) or via the contact details at the end of this document.

Connecting Communities with Opportunities

Birmingham is already served by a range of key transport infrastructure, and several infrastructure schemes are in development which should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally. The most important of all these projects is HS2, currently the largest infrastructure project in Europe.

The skyline of central Birmingham is rapidly changing, however, the availability of affordable housing is a major issue in the city. Office rental values in Birmingham have grown strongly and are higher than in all regional cities except Manchester. Like many other UK cities, high-quality sites and premises are now in short supply in Birmingham, with the supply of grade A office space running out. Strategic employment sites identified across the city and the wider area must be brought forward for development urgently.

Lying at the heart of the West Midlands region, there are important linkages between Birmingham and the city's neighboring areas. These have implications for the delivery of infrastructure to meet the city's growth aspirations. An assessment of the linkages within the city and between neighbouring areas provides useful insights into Birmingham's wider economic role as well as internal economic and labour market dynamics. The quality and speed of linkages between areas (connectivity) are key factors that drive economic performance. The role that locations play within a given area is influenced by connectivity.

Transport

Birmingham and the wider West Midlands region is served by a range of key transport infrastructure. Birmingham International Airport is in close proximity to Birmingham and provides a gateway to a range of international destinations.

Key rail and road links include:

- London Midland Trains, Virgin Trains and Cross Country provide direct services to London and the South West, the West Midlands, Scotland, the North West and Yorkshire.
- The M6, which provides access to the North West
- The M5, which provides access to the South West
- The M42, which provides access to the East Midlands
- The M40, which provides access to the South East

Looking forward, improving connectivity across the functional economic area whilst satisfying the expected increase in demand on the area's road and rail network presents a significant challenge. In order to tackle this, there are a number of major infrastructure schemes in development that should significantly enhance connectivity across the functional economic area and to other parts of the UK and internationally.

Transport for West Midlands (TfWM) is the main body responsible for developing and delivering bus, rail, tram and infrastructure projects to improve the quality and provision of public transport to encourage the use of public transport. TfWM work with stakeholders and partners in local and national government as well as private developers.

Projects in development include:

- **High-Speed Rail** (including connecting transport links)
- **Midland Metro Extensions** – led by the Midland Metro Alliance, £1.3 billion is being invested in extending the tram system across the West Midlands over the next 10 years. Currently ongoing are the following extensions:
 - Centenary Square/Edgbaston
 - Eastside
 - Wednesbury to Brierley Hill
 - East Birmingham/Solihull
 - Wolverhampton City Centre
- **New rail stations in Birmingham** at Moseley, Kings Heath and Hazelwell on the Camp Hill Line, with the potential for a fourth station on the line at Balsall Heath at a later date.
- **New stations in Walsall** at Willenhall and Darlaston, as well as plans to reopen the Wolverhampton to Walsall line.
- **Sprint Rapid Transit** – an innovative new mode of transport based on a light rail system to improve journey times and reliability and achieve a higher-quality, greener public transport system that is easy to access by local communities. Seven routes have been identified as Sprint corridors - three are planned to be delivered for the 2022 Commonwealth Games. The others are part of the HS2 connectivity package to be delivered by 2026.
- **Cycle Routes** – Birmingham’s cycling network covers 342 miles of greenways, canal towpath, on-road segregation and National Cycle Routes. The West Midlands Cycling Charter is leading on a strategy to increase cycling activity by providing higher-quality and safer cycling provisions. With a planned investment of £283 million over the next 10 years, a number of cycling initiatives are now underway. These include: local cycling and infrastructure plans, cycle parking facilities at rail stations and interchanges and a bike share scheme to be rolled out in 2018-19.

High-Speed Rail

High Speed 2 is potentially the most significant transport infrastructure project in the UK since the motorways were built in the 1950s and 1960s. When complete, HS2 will comprise 345 miles of new high-speed track across the UK. Construction has started on Phase One which will link London and Birmingham. Once completed in full, it is anticipated that HS2 will deliver benefits worth over £103bn to the UK economy, creating 104,000 jobs and bringing £14 billion in additional economic input to the West Midlands area. At the time of writing the spending review into HS2, led by Douglas Oakervee, is underway. The GBCC continues to proactively support the case for HS2 and its potential to help rebalance the UK economy.

HS2 will be one of the largest civil engineering projects ever undertaken in the UK. It is estimated that the project could create 104,000 jobs in the West Midlands area and bring £14 billion additional economic input.

HS2 is expected to have significant economic benefits for the West Midlands, attracting new business and investment to the region as well as enabling existing businesses to benefit from greater connectivity with London and other major UK cities. Furthermore, it will embed Birmingham at the heart of the national network as better links with Leeds and Manchester will create a large number of supply chain opportunities. Improving connectivity for local businesses will help rebalance the national economy and unlock the latent potential of Birmingham and the wider region. The new station to be built in Birmingham will also help to transform the Eastside area of the city centre, stimulating regeneration in this formerly industrial part of the city.

The Curzon Street Investment Plan put forward by Birmingham City Council proposes a total of £900 million be spent on regenerating the area around Curzon Street. This regeneration will take place over 30 years, and will lead to 4,000 new homes, 36,000 jobs and several new neighbourhoods.

Midlands Rail Hub

Midlands Rail Hub¹ is a £2 billion plan to upgrade rail networks across the East and West Midlands, including 24 extra passenger trains for East-West connectivity and faster journey times to towns and cities across the Midlands, including Nottingham, Leicester, Hereford and Worcester. As Birmingham New Street station is already operating at full capacity, the plans for Birmingham centre on Moor Street, which will be extended with two new platforms and a direct passenger link to the HS2 Curzon Street station next to it. The project is expected to take until 2033 to complete.

Birmingham Airport

Birmingham Airport is one of the largest employers in the West Midlands. Over 8,000 people are employed either on-site or within its immediate vicinity and are engaged in activities relating to the operation of the Airport and air services. In 2014, the Airport delivered approximately £1.1 billion to the regional economy and £1.7 billion to the national economy. This has increased as passenger numbers have risen. In 2017/18, almost 12.9 million passengers travelled through Birmingham Airport in 2015 – 8.2% more than the previous financial year. This represents nearly a million additional passengers. Nevertheless, it is still considered that the airport, as one of the area's most significant economic drivers, is underutilised. Growth has been hindered by the demise of Monarch Airlines in October 2017, one of Birmingham's largest customers operating 40 flights daily and supporting 500 jobs. It remains to be seen whether the collapse of Thomas Cook may also have an impact on growth. However, Jet2 and TUI have increased their capacity from the airport.

The airport has released a master plan vision for 2033, by which time it expects to be handling around 18 million passengers. To meet this significant growth in its usage the airport will be investing £500 million to expand and improve its facilities. Birmingham Airport will also benefit from being located near to the new Birmingham Interchange station on HS2, and thus be a realistic hub for passengers travelling to and from London as well as to Birmingham itself.

A three-year runway extension project at Birmingham Airport opened in summer 2014. This has allowed aircraft to carry more fuel and fly further. It also brought

¹ <https://blog.bham.ac.uk/cityredi/the-importance-of-connectivity-if-hs2-and-the-midlands-rail-hub-are-delivered-the-whole-region-will-benefit/>

with its new direct long-haul destinations for the first time to destinations such as Dubai, New Delhi and Amritsar. These routes cater to both business and leisure travellers. The runway extension gives the airport the capacity to increase its passenger numbers and as a result, the economic impact of Birmingham Airport is eventually expected to rise to 19,000 full-time equivalent jobs and £824m of annual economic output by 2030. On a wider note, the extension of the Metro, the arrival of HS2 and the improvements made to the bus networks in the West Midlands will all help to improve the accessibility of the airport and in turn, boost domestic and international connectivity for the region.

Other recent investments include reconfiguring the security search lanes and the introduction of a new security preparation area, a new free drop-off facility outside the main terminal, and additional car parking capacity on the Elmdon site. The Airport has also invested in a new flight information service called FlightSmart, which enables customers to receive regular flight status updates to their Twitter account.

Midland Metro Birmingham City Centre Extension

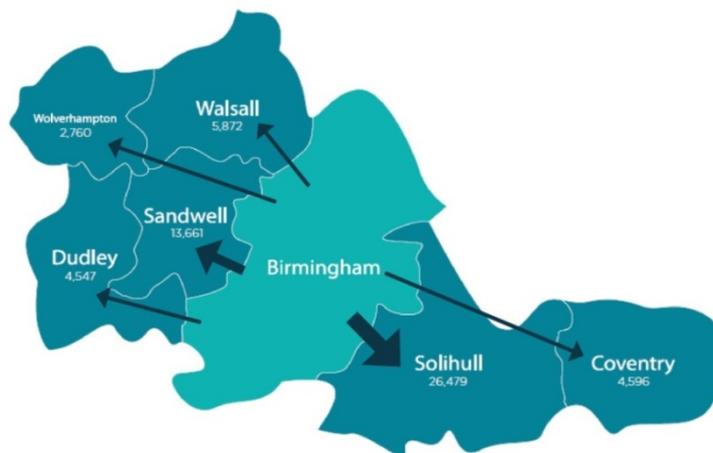
The Midland Metro extension into Birmingham City Centre has significantly improved links between the Black Country and Birmingham by connecting to the National Rail network at New Street (Birmingham Gateway). It is estimated that it will add £50m per year to the region's economy and create around 1,500 jobs. The extension to Centenary Square opened in 2017. Further extensions to the network are planned within Birmingham, specifically to the west of the city centre. These will provide transport through some of the most deprived local areas, improving access to jobs and services for residents as well as attracting new business and developments to them. There are also long-term plans in place to enhance links between East Birmingham and Solihull.

Commuting Patterns

Data is available that allows an analysis of commuter flows and flows of people engaged in leisure and retail activities. As the labour market has changed over the past few decades, so have commuting patterns, with more people travelling longer distances to access employment opportunities.

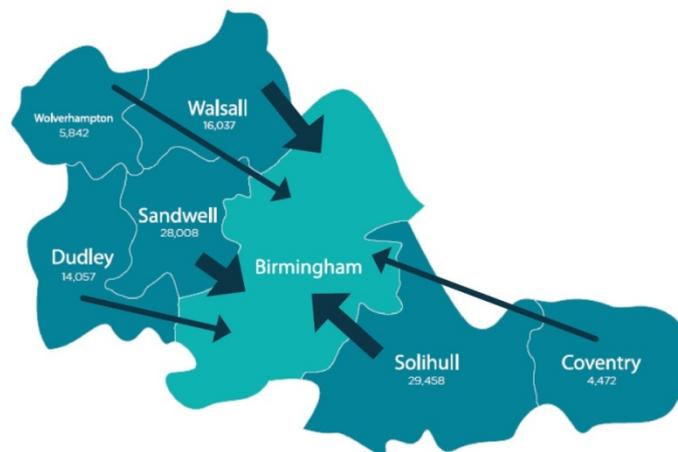
People are more likely to commute if employment is available that pays a higher wage than that which is available locally and covers the cost of the commute. There is some data to support this. Workplace earnings are generally higher in key commuting destinations.

Chart 1: In - Commuting to Birmingham



Source: ONS Census, 2011

Chart 2: Out - Commuting to Birmingham



Source: ONS Census, 2011

If we look at total in-commuting to Birmingham from surrounding areas area, 166,272 commute to the city. Within the surrounding areas a strong relationship exists between Birmingham and Solihull, with 29,458 of Solihull's employed residents working in Birmingham. There are also strong in-commuting linkages with Sandwell, Walsall, Dudley, Bromsgrove and Lichfield. To some extent this high level of in-commuting is to be expected; as a core city Birmingham is an employment hub for its surrounding areas. However, the magnitude of the in-commuting levels, coupled with the relatively low levels of employment amongst Birmingham's resident population, indicates a disconnect between local residents and the jobs generated in the city.

There is also out-commuting from Birmingham to the surrounding area, with the city's residents making a significant contribution to the local labour markets of the surrounding authorities. As with the in-commuting patterns identified earlier, the strongest out-commuting links are with Solihull, where nearly 26,500 Birmingham residents work. Again strong links are evident with Sandwell, Walsall, North Warwickshire, Bromsgrove, Coventry and Dudley.

Expert Comment

Dr Magda Cepeda Zorrilla, Research Fellow, City-REDI, University of Birmingham



Connectivity is an essential part of any transport system. It provides and maintains a link between two or more different places. Road transport connectivity is achieved by creating an efficient road network that is also part of an integrated transport strategy. The quality and speed of linkages between nodes within a transport network are key factors that drive economic performance enhancing the quality of everyday living.

Investment in the Strategic Road Network (SRN) can support economic growth through improving productivity including reducing unemployment and increasing labour supply by linking concentrations of skill labour with employment opportunities. Enhancing regional and inter-regional connectivity facilitates agglomeration economies and increasing competition and encourages private sector investment.

The M6, M5, M42 and M40 are key road linkages that are part of the SRN. Moreover, 91% of businesses in England are located within 15km of the SRN. In the West Midlands. A comparison of delays on key road links between 2017 and 2018 identified that some junctions had experienced an increase in average delays whereas others have remained the same. Morning peak time (7.00 am to 10.00 am) for the key route network is generally the busiest time on the network. The sections, which are affected by the lowest speeds, are Birmingham, Wolverhampton, Coventry, Walsall, West Bromwich and Brierley Hill and these are considered to be strategic centres.

Strategic infrastructure investments in the broader transport network should alleviate delays enhancing efficiency and reducing pollution. This type of targeted strategic investment should contribute to catalysing economic growth in the West Midlands including attracting new business and investment. Investing in HS2 will reduce travel times and enhance capacity between London to Birmingham. This is an important element of the West Midlands infrastructure structure and is expected to have significant economic benefits for the region including attracting new businesses and investment and enabling existing businesses to benefit from enhanced connectivity with London and other major UK cities.

One could argue that transport policy across the West Midlands is too focused on HS2. This is unfortunate. Parts of the region's key and strategic road network are already experiencing congestion at peak times. What is required is the development of an integrated transport policy designed to reduce congestion, air pollution and to enhance connectivity. Additionally, mitigation measures are required, such as the creation of park and ride schemes to distribute trips between job centres and stations. Other measures such as incentives for business to create more "flexible work" also could reduce congestion. Thus, a strategic integrated transport plan is essential for mitigating negative effects on traffic and congestion and for capitalizing on major infrastructure projects including HS2. Such an integrated approach to regional connectivity must include a focus on

improving public transport but also creating streetscapes that encourage walking and cycling.

Developing an integrated approach to regional connectivity is extremely challenging. The WMCA has a major strategic role to play here in aligning key stakeholders ensuring that mobility is enhanced but the negative impacts of transport, including air pollution, are minimised.

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Industry Insight

Nikki Bains, Planning Manager, Birmingham Airport



There's an undeniable buzz around the region, perhaps because we're gearing up for the Coventry City of Culture in 2021, the Birmingham Commonwealth Games in 2022 or the arrival of HS2. It's also because everywhere you look, there are signs of investment, and this creates opportunities for local people, business and the region as a whole.

It feels like Birmingham is going through a modern-day renaissance, where more and more people are relocating here to study, live and work - finding a better and a more affordable quality of life for themselves and their families.

There's an excitement at Birmingham Airport too as we embark on our Master Plan. Published in June, together with our Surface Access Strategy, we set out our vision of how the airport will play its part in the continuing regional success story. Through an investment programme of £500m, we plan to increase passenger numbers from the current 13m to 18m per annum by 2033 and increase our economic benefit from £1.5bn to £2.1bn annually. And all this can be achieved within our current boundary and existing runway, which is in line with re-stated government policy for making use of existing runway capacity.

The first phase of the master plan focuses on a terminal transformation where we will invest around £170m on a terminal transformation over the next three years. This includes the extension of the departure lounge to create more circulation space, seating, toilets, retail and catering outlets, along with an enlarged and modernised check-in hall. Later phases will see the extension of the security and arrivals areas, as well as new baggage systems, aircraft stands and a link to the HS2 Interchange Station; a game changer for the UK Central Hub.

We are fully financing this expansion to help secure wider public benefits of connectivity and employment growth, whilst underpinning the region's current burgeoning economic performance. Our ambition matches the region's vigour, which is attracting employers, such as Jaguar Land Rover, HSBC and Deutsche Bank, and driving high growth sectors in advanced manufacturing and engineering, life sciences and renewable energy. Our communities are seeing the benefit with average earnings increasing and unemployment falling.

The creation of the West Midlands Combined Authority, the arrival of HS2 and international events already mentioned promise to further boost the awareness and appeal of the region - and we at the airport will continue to work collaboratively to take this story overseas as we attract more services to the region.

Today we have 50 airlines flying to more than 150 direct destinations and a further 340 one-stop global connections. We link through hubs including Paris, Madrid, Brussels, Amsterdam, Zurich, Frankfurt, Munich, Istanbul, Doha, Dubai and Copenhagen.

We provide easy access to a wide range of exciting holiday destinations and serve as a gateway for inbound tourism and overseas students studying at our universities.

Looking ahead, we will continue to adapt our aviation strategy to take account of developments in the regional and UK economy. We will focus on which countries grow as key trading partners and which are the most popular leisure destinations. We aim to build an even bigger route network to serve our Region.

Our key priorities are direct long-haul services to the key growth markets of the Indian sub-continent and China, and North Atlantic routes, particularly with the emergence of low-cost long-haul operators.

We are also pushing to attract more choice, connectivity and frequency to European cities and the Middle East, increasing frequency on established routes to offer more choice to passengers.

We must do this whilst continuing to invest, develop and deliver a great customer experience, not just most of the time, but all the time. It's also vital that we grow sustainably and consciously, and we are developing a sustainability strategy now to see how we can reduce our carbon footprint in the future.

As we look forward, we must not forget where we have come from and this is very poignant as we celebrate our 80th Anniversary this year. Over these eight decades, we've served the region well and now we will continue to work in collaboration with our regional stakeholders to deliver the service, connectivity, capacity and growth in a responsible and sustainable way to ensure that our future surpasses the success of our past.

Industry Insight

James Danby, Head of Commercial Development, HS2



Birmingham is the most exciting and dynamic city in Britain right now. We have more new businesses being set up, more jobs being created and more investment coming in than anywhere outside of London. This is a city and a population that is welcoming, ambitious, and is transforming at a rate of great pace. It's no coincidence that it is also at the very heart of the new high speed rail network.

HS2 is real and happening and is very proudly a catalyst of this positive change and increased opportunity.

Simply walking around Birmingham it's difficult to miss all the hoardings, cranes, machinery and construction work taking place – this is progress and this brings new opportunities. There are now 9,000 jobs supported by our programme and 2,000 businesses (70% of these are SMEs) that have provided work. These are people and businesses that are already winning work, gaining employment and contributing to the largest early works programme in modern history and are active on one of HS2's 250 live construction sites.

We have UK Business leaders backing HS2, with business leaders, the CBI and British Chambers of Commerce all in support as they understand the opportunities available. At peak construction, over 30,000 people will be needed to design and build the railway. We have already let around £10bn worth of contracts and by the end of next year that will be around £20bn. This equates to real jobs spread across the UK – be it the ecologists planting one of the 7 million new trees that will form our Green Corridor along Phase One, or the plant operators on one of our many sites, through to HGV drivers, surveyors, ground investigations analysts, demolition experts... the list goes on and is rich with opportunity.

Birmingham is at the heart of this new opportunity-rich network and is one of the biggest winners. With the certainty provided by gaining Royal Assent of the Phase One Bill, Birmingham is already reaping the benefits of HS2 and the arrival of high speed services has provided a renewed sense of confidence and dynamism in the region's economy.

This is evident from the data which shows how the West Midlands is increasingly attractive to inward investment, attracting 151 Foreign Direct Investments in 2016/17, up from 57 projects in 2011/12, a 150% increase. This inward investment has created more new jobs than any region outside of London, with 7,000 new jobs already created in the Midlands to deliver HS2.

Alongside large global companies which are making the city their home, there is a thriving eco-system of small and medium sized businesses, with more new companies registered in Birmingham in 2018 than any other UK city outside of London.

When we think of how development looks in real term, considering how Brindley Place was once a labyrinth of derelict factories, a relic of the city's proud industrial

past, but neglected for many years, is a prime example of how opportunity can be converted. Its development hasn't just created thousands of new jobs for Birmingham, but improved our quality of life too.

Brindley Place is now proudly a key destination for the city. Be it leisure or business, you can visit to see a show, go for dinner, take in a new art exhibition or brave the gift shop at the national sea life centre at the weekend. It's become much more than a list of impressive stats about jobs, homes, and office space – it's a point of pride for the city, and an exemplar of positive change resulting from investment.

So while we anticipate that our pipeline of development could deliver a return to government of £4bn, we can't put a price on how it will change the lives and opportunities for those who will use it.

We are more than a railway and nowhere is that more evident than here in Birmingham. The City Council envisage HS2 bringing 36,000 new jobs, 4,000 new homes and 600,000 square metres of commercial development to the city. The regional economy will be boosted to the tune of £14 billion when taking into account Interchange station down at Solihull too.

That's the future, but the benefits are already being felt now. A 150% increase in foreign direct investment. 18,500 new companies registered here last year and 7,000 new jobs created delivering HS2. We are proud to be playing our part in writing the Birmingham success story.

Housing Statistics

At the time of the 2011 Census, there were 410,736 households in Birmingham. Of these, 55.2% were owned, 1.0% were shared owned, 24.2% were social rented, 17.9% were private rented and 1.7% of households were classed as living rent free. In comparison to national averages, residents in Birmingham are much less likely to own their own property and much more likely to rent their property from the local authority.

Table 1 Tenure, 2011

	Birmingham		England	
	Number	%	Number	%
All households	410,736		22,063,368	
Owned	226,616	55.2	13,975,024	63.3
Shared ownership	3,940	1.0	173,760	0.8
Social rented	99,592	24.2	3,903,550	17.7
Private rented	73,405	17.9	3,715,924	16.8
Living rent free	7,183	1.7	295,110	1.3

Source: 2011 Census

In the period 2017-18, 3,160 units were added to the dwelling stock in Birmingham. This is an increase from 1,751 in 2016-17 and 2,840 for 2015-16 (Department for Communities and Local Government).

In Birmingham, there is a major issue regarding affordable housing. New developments in the city are failing to meet Birmingham City Council's aim of 35% of new builds being offered as affordable housing. Rather, less than 10% of new builds can be classed as affordable housing. A lack of affordable housing has negative consequences across the board, including issues of accessibility for first-time buyers, higher rents in the private sector due to high demand, and longer waiting times for those registering for social housing.

PwC's July 2019 UK Economic Outlook⁶ suggests that compared to the late 1990s, 25-34 year-olds are now disproportionately less likely to purchase a property with a mortgage, and more than twice as likely to rent privately. Unable to purchase homes, many young people have turned to renting. The proportion of 16-24 year-olds renting privately has risen from 51% in 1998/99 to 73% in 2017/18 and from 20% to 46% for 25-34 year-olds. Analysis of rental affordability is also available in the PwC report.

⁶ <https://www.pwc.co.uk/economic-services/ukey/ukey-july2019.pdf>

Table 2 Average House Prices in and around Birmingham, 2018

District	Average Price (£)
Birmingham	210,322
Bromsgrove	325,897
Solihull	322,522
Coventry	199,699
Walsall	185,462
Sandwell	159,311
Dudley	182,187
Wolverhampton	167,294
Wyre Forest	211,560
Redditch	224,071
North Warwickshire	237,608
Nuneaton And Bedworth	198,039
Stratford-On-Avon	368,522
Warwick	363,974
Rugby	271,555
Lichfield	280,912
Tamworth	213,732
Cannock Chase	184,739
East Staffordshire	214,825

Source: HM Land Registry

In 2018 the average house price in the West Midlands was £227,463, having increased by 4.7% from £217,174 in 2017.

Table 3 Average House Price by Region in England and Wales, 2019

Region	Average House Price (2017; £)	Average House Price (2018; £)	Change between 2017 and 2018 (£)	Change between 2017 and 2018 (%)
East Anglia	271,368	276,949	5,581	2.1
East Midlands	208,626	218,735	10,109	4.8
Greater London	620,182	622,196	2,014	0.3
North	165,853	169,767	3,914	2.4
North West	189,291	194,194	4,903	2.6
South East	371,616	379,525	7,909	2.1
South West	281,490	290,623	9,133	3.2
Wales	176,993	183,169	6,176	3.5
West Midlands	217,174	227,463	10,289	4.7
Yorkshire and the Humber	186,710	191,919	5,209	2.8
England and Wales	292,948	297,445	4,497	1.5

Source: HM Land Registry

The growth in house prices experienced in the West Midlands was the second largest seen by any region in England and Wales, after the East Midlands with an increase of 4.8%. Comparatively, across England and Wales house prices rose by 1.5% to an average of £297,445 between 2017 and 2018.

The West Midlands district with the highest average house price in 2018 was Stratford Upon Avon at £368,522. Stoke on Trent had the lowest average price of £129,674. Birmingham’s average house price was £210,322 (the highest of the core cities), having increased by 5.3% from 2017. Rugby experienced the greatest percentage increase in house prices between 2017 and 2018, at 9.7%, followed by Newcastle Under Lyme (8.6%) and Nuneaton And Bedworth (8.3%).

Pwc’s July 2019 UK Economic Outlook⁷ projects average house price growth in the West Midlands at 3.4% for 2019 and 4.1% in 2020 (second only to Wales).

Table 4 Average House Price in Core Cities

	Average House Price (2017; £)	Average (2018; £)	Change 2017 to 2018 (£)	Change 2017 to 2018 (%)
Birmingham	199,709	210,322	10,613	5.3
Liverpool	148,188	151,063	2,875	1.9
Manchester	193,346	204,740	11,394	5.9
Newcastle	187,905	193,136	5,231	2.8
Total England and Wales	292,948	297,445	4,497	1.5

Source: HM Land Registry

House prices in Birmingham remain higher than in any of the comparator core cities, although prices increased slightly more significantly in Manchester between 2017 and 2018.

In the period 2016-17, 7.8 people in every 1,000 people were accepted as being homeless and in priority need. This is down from 8.1 people in every 1,000 people for 2016-17 (Ministry of Housing, Communities and Local Government).

⁷ <https://www.pwc.co.uk/economic-services/ukey/ukey-july2019.pdf>

Industry Insight

Glenn Harris, CEO, Midland Heart



The term “inclusive growth” might be relatively new but the concept goes back a long way. This year we’ve been celebrating 100 years since the Addison Act was passed – a major piece of legislation that made it possible to build social housing at scale for the first time. Coincidentally, it wasn’t long after this that Midland Heart was born, although our early focus was on acquiring and improving existing homes, rather than building new ones.

Lord Addison dedicated much of his political career to improving health and housing conditions. In his time, it was never just about building homes, it was about the type of communities people wanted to live in. One of Lord Addison’s contemporaries, NHS founder Nye Bevan, famously talked about social housing in which “the doctor, the grocer, the butcher and the farm labourer all lived in the same street”. The new estates would offer a “living tapestry of a mixed community.”

So what can we learn from this legacy, and what can it tell us about making inclusive growth happen today?

Inclusive growth means recognising that economic expansion is necessary for prosperity, but to be sustainable in the long term it must be broad-based. The RSA Fellowship’s recent Inclusive Growth Commission described it as “enabling as many people as possible to contribute and benefit from growth”.

Housing sits right at the centre of this. As a housing association, we remain committed to our original social aim of providing good quality homes that are affordable to a broad range of people. We’re excited to see inclusive growth back on the agenda as a core objective for our city region and we’re ready to play our part in achieving this.

Providing high quality, affordable homes in the right places enables people to access good education and employment opportunities. When people have leisure activities, shops and other community infrastructure on the doorstep it makes their local area feel more like a community. New housing supply is critical, but so is the careful management of existing homes. High levels of tenancy turnover can lead to concentrations of poverty and disadvantage - a real obstacle to inclusive growth. We must ensure all our homes are places where people want to live and choose to stay.

Our new corporate plan *Making What Matters Brilliant* sets out how we will deliver real improvements for our customers, new and existing. Working closely with partners in local, regional and national government, we’ll build more than 600 good quality affordable homes each year in mixed communities across the Midlands. It’s an ambitious target, but one we’re confident of delivering based on our previous track record and strong strategic partnerships.

A few years ago we worked with William Davis and Birmingham City Council to convert the Crocodile Works factory in Newtown into 170 new affordable homes

across different tenures. The site was transformed into a vibrant mixed community and has quickly become a highly sought after place to live, which also offers genuinely affordable homes to those in need.

More recently, we redeveloped an old school in Shard End, working closely with Countryside and Birmingham City Council. This time we transformed a disused site into a mixed estate of 64 homes for affordable rent and shared ownership. The project delivered much-needed affordable city living accommodation, close to good transport links.

But it does not stop there. We're also making a record investment in the services and homes we offer to our existing customers. With designated funds set aside for our most challenging schemes, we'll bring our older properties up to date and maintain all our homes to a high standard of safety and comfort. Crucially, we'll also review how our homes are allocated and managed to ensure a balanced mix of people from different backgrounds. We'll do our bit to contribute to modern vibrant communities.

Making inclusive growth happen requires long term investment and stewardship, and this goes right back to the core of our social purpose. Working with our partners we will invest in homes that not only meet the needs of families today, but go on supporting sustainable communities for another 100 years. If you believe you can help support this ambition we would love to hear from you.

The Commercial Property Market

As has been the case with a number of large regional cities in the UK, Birmingham's strong economic performance in the last few years, boosted by record levels of inward investment, has led to strong demand for both office and industrial property. Office rental values have grown strongly and are higher than in all regional cities except Manchester.

Knight Frank, an Estate Agency dealing in residential and commercial property, produce annual reports covering the latest commercial and residential trends in Birmingham. The latest from 2018⁸ indicates that Birmingham's commercial property market has experienced rental growth between 2017-18. The Colmore Building, One Colmore Square, and the Cornerblock achieving rents per sq ft exceed £30. Meanwhile, new build rents such as One Chamberlain Square and 55 Colmore Row are nearing £35 per sq ft. This is reflective of the table below, which shows an average of £34 per sq ft for grade A office space for Birmingham in 2018, up £33 in the the previous year. Forecasts state that commercial property rents in the City Centre will continue to improve over the next year (Knight Frank, 2018).

Birmingham has also experienced occupier growth in recent years, successful in attracting a number of new occupiers, including PwC's largest single office investment outside London at One Chamberlain Square. These go alongside other major occupiers such as HSBC, HMRC and RICS, and expansions by Hogan Lovell, Network Rail, Cundalls and Axa Insurance.

Like many other UK cities, high-quality sites and premises are now in short supply in the city, with the supply of grade A office space now running out. In response, a new tranche of strategic employment sites has been identified across Birmingham and the wider area, for which bringing these forward for development is now an urgent priority.

⁸ <https://www.knightfrank.co.uk/research/the-birmingham-report-2018-5721.aspx>

Table 5 Office rents £/sqft

Year	Grade	Birmingham	Birmingham NEC/Solihull	Birmingham Edgbaston
2019	Grade A	34.0	25.0	18.5
	Grade A Annual % growth	0	9	19
	Grade B	23.5	18.0	10
2018	Grade A	33.0	23.0	15.5
	Grade A Annual % growth	2	0	7
	Grade B	22.5	15.5	10.0
2017	Grade A	32.5	23	14.5
	Grade A Annual % growth	0	0	0
	Grade B	22.5	15.5	8.5
2016	Grade A	32.5	23	14.5
	Grade A Annual % growth	8	10	0
	Grade B	22.5	15	8
2015	Grade A	30	21	14.5
	Grade A Annual % growth	5	8	0
	Grade B	21.5	11.5	8

Source: Office Rents Map, Colliers International

Table 6 Industrial space prime rents £/sqft

Year	Year Half/Shed size	Birmingham NW	Birmingham E	Birmingham W	Birmingham S
2019	H1 - Big	5.95	6.5	6.0	6.5
	H1 - Small	6.5	7.5	6.5	7.5
2018	H1 - Big	5.75	6.5	5.75	6.5
	H1 - Small	6.0	6.75	6.0	6.75
2017	H1 - Big	5.75	6.5	5.75	6.5
	H2 - Big	5.75	6.5	5.75	6.5
	H1 - Small	5.75	6.5	5.75	6.5
	H2 - Small	5.75	6.5	5.75	6.75
2016	H1 - Big	5.75	6.25	5.75	6.25
	H2 - Big	5.75	6.5	5.75	6.5
	H1 - Small	5.75	6.25	5.75	6.25
	H2 - Small	5.75	6.5	5.75	6.5
2015	H1 - Big	5.5	6.25	5.75	6.15
	H2 - Big	5.5	6.25	5.75	6.25
	H1 - Small	5.25	6.0	5.75	6.0
	H2 - Small	5.5	6.25	5.75	6.25

Source: Office Rents Map, Colliers International

Major developments happening in Birmingham

There are a number of large projects taking place in Birmingham right now that are regularly covered in City-REDI's West Midlands Economic Monitor⁹ series. The skyline of the city centre is being transformed by the construction of new apartment blocks and office buildings. The most notable of these are include:

- Icknield Port Loop:** Icknield Port Loop is a development by Urban Splash on the "island" formed by the loop of the canal in North Edgbaston, adjacent to the Edgbaston Reservoir and Brindley Place. The site has planning permission for up to 1,150 housing units. It is also the focus of the "USE-IT! Unlocking Social and Economic Innovation Together"¹⁰ project of which City-REDI is a contributor, which is funded by the ERDF to co-design innovative mechanisms for unlocking the potential of deprived communities in this part of Birmingham.

⁹ <https://blog.bham.ac.uk/cityredi/wmem-june-2019/>

¹⁰ <https://www.uia-initiative.eu/en/uia-cities/birmingham>

- **Langley Sustainable Urban Extension:** north of Sutton Coldfield, this project will deliver 6,000 new housing units to the dwelling stock in Birmingham. Social infrastructure such as doctor's surgeries, schools and public transport connections will also be provided. Langley is a major part of the City Council's strategy of meeting the housing needs of Birmingham as its population grows.
- **Smithfield and the adjacent Rea Valley Urban Quarter:** this development will transform the Digbeth area of the city centre. Smithfield is being built on the location of the former Birmingham Wholesale Markets and will include over 2,000 new homes and 3.2 million square feet of mixed-use floor space. The Rea Valley Urban Quarter will open up the River Rea once more and regenerate a dilapidated formerly industrial area in the city centre, while at the same time hosting over 5,000 new homes. Highgate Park will be improved to become a high-quality public space.
- **Ladywood Housing Estate:** Birmingham City Council is seeking a partner to redevelop the Ladywood housing estate between Broad Street and the ring road. The local authority still owns two-thirds of units on the estate. Further details of its future are not available yet, but this is a large site that hosts an ethnically diverse population – many of whom are from a lower socio-economic background – so it is important that the eventual plans are sensitive to this reality.
- **Paradise:** Paradise (formerly Paradise Circus) includes the redevelopment on Chamberlain Square on the site of the old Birmingham Central Library, which was demolished and rehoused in the new Library of Birmingham. PwC has already occupied One Chamberlain Square as its largest single office investment outside of London. There will eventually be ten new office buildings as part of the development as well as a new 250 bed hotel. The scheme is expected to be completed in 2027.
- **Perry Barr:** this area in North Birmingham is set to be regenerated as part of the 2022 Commonwealth Games. Alexander Stadium will be modernised and expanded and a new Athlete's Village of accommodation for the games will be constructed, comprising over 1,400 dwellings that will be converted into homes after the event. The surrounding public realm will also be regenerated.

Further developments are profiled in Avison Young's 'The Changing Face of Birmingham'¹¹ report.

¹¹https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKewjn2YXts_3jAhXQiFwKHTtCAZUQFjAAegQIABAC&url=https%3A%2F%2Fwww.avisonyoung.co.uk%2Fdocuments%2F38901%2F994551%2F11852%2BThe%2BChanging%2BFace%2Bof%2BBirmingham_2019%2Bv9.pdf&usg=AOvVawOVLui9MgZoZuw9IBmCQjUJ

Industry Insight

John Webber, Head of Business Rates, Colliers International



The Business Rates Burden on local businesses in Birmingham has been steadily growing over the last 30 years with a detrimental impact across the sectors. In the Birmingham City Council Metropolitan area, business rates contribute £450 million per annum (19/20) out of a total of £3.1 billion to the local budget. This burden is spread across all non-domestic premises located within Birmingham.

Business rates have become an increasing proportion of outgoings for most businesses. From a rate in the £ in 1990 of £0.34 to above £0.50 today and every chance that by 2021 the multiplier will be closer to £0.55, and subject to inflation approaching £0.60 in the next few years. This is a doubling of the tax burden over the last 30 years. While the Government of all persuasions will point to reliefs given to small businesses, the majority of people employed in this city are based in properties which do not get small business relief and therefore those jobs are most at risk when businesses decide to close premises because of the burden.

The retail sector in the city makes up approximately 28% of the total of £450 million while the pub and restaurant sector makes up approximately 7%. Given the amount of warehouse and industrial space in and around Birmingham, it is not unsurprising that the industrial and warehouse sector accounts for 22% of that total while offices account for 22% also.

The impact of business rates on the retail sector has been widely publicised with several of the bigger retail chains vociferous about their business rates burdens, which have added to their other rising costs. The 2017 Revaluation has meant some have been hit by high, unsustainable rises – others are suffering from the four -year phasing of downwards reductions, meaning many businesses are paying more than they should be. This together with the impact of increased competition from online retail, has resulted in a wave of store closures, job losses and CVAs across the sector. Birmingham has not been immune.

Business rates have also been a factor for other sectors. They are a major factor in the lack of speculative development both in the office and industrial/warehouse sector which a bank is unlikely to fund unless a developer has either very deep pockets or a tenant signed up to take the space on completion. The change in empty rates since 2008 resulting in a charge of 100% of the rates bill on empty properties following a grace period of 6 or 3 months will mean the yield profile and the profit from a commercial undertaking will disappear very quickly unless mitigation strategies are introduced if a tenant cannot be found.

Business rates, a common feature of commercial property for centuries which have been paid, if not willingly, but without any great concern, have now therefore become such a burden that they are put into the equation on the decision on whether properties should be occupied, vacated or even constructed. At a 50% plus tax, this is not surprising- but is a ridiculous situation.

Clearly local services need to be paid for but short-term political decisions by all parties over the last 30 years has meant a smaller number of larger ratepayers are faced with a much higher burden particularly when the yearly annual inflation figure is factored in over a generation. As business rates become a major part of the decision-making process, this is stifling growth, not only in Birmingham, but in many locations around the country and it appears that there is little political appetite to grasp the nettle.

If Birmingham is serious about competing on an international level with cities throughout the world, then Government needs to get to grips with this issue which is growing bigger every year. The City Council also has a responsibility to help businesses in a relatively minor way but in a way that will send the right signals to encourage people to locate in the city, stay in the city and grow in the city.

An example is the tram extension to Edgbaston and other large infrastructure projects which have had a negative impact on getting in and around while the works are ongoing. Rating agents including ourselves who have made representations to the Valuation Officer for temporary reductions because these works are disrupting business. These are being resisted because Birmingham City Council can ill afford to give any money away. This is extremely short sighted. Businesses have failed because of the works in the city centre and a recognition by Central Government as well the City Council would go a long way to sending the signal that yes Birmingham is open for business and is prepared to work with businesses who experience short term difficulties. Ignoring the issue is a detrimental effect on the city centre and its growth.

Birmingham is a great city with a mass of potential and a resilient business community. However, a little help from those in a position of power would not go amiss. This is why I and others have been canvassing for a sensible and proper business rates reform to alleviate the worst consequences of this punitive tax.

Expert Comment

Professor John Bryson, Professor of Enterprise and Economic Geography, City-REDI, University of Birmingham



A city is a mosaic of sites and buildings that are connected by infrastructure – roads, footpaths, and cycleways and information communication technology. Investment decisions made in the past shape the on-going development of the city of Birmingham. Like all cities, Birmingham is a city of contrasts. This includes major regeneration projects intended to provide new office space and housing but also a major homelessness problem combined with a shortage of affordable housing. Birmingham faces four major development challenges.

First, there is a need to provide more housing and especially affordable housing. The key here is for the Industrial Strategy to recognise the relationship between local housing provision and the availability of skills in local labour markets. This is only part of the challenge that the city faces. It is now becoming absolutely critical for all development decisions involving land and infrastructure to adopt an approach that will eventually transform Birmingham into a net zero carbon emission city. This is a major challenge and opportunity. Birmingham should lead the way in innovations that will transform the city creating new employment opportunities whilst enhancing the quality of city living but simultaneously reducing carbon emissions.

Second, a key debate must develop regarding the location of new housing provision combined with accessibility to employment, education, health and social services. Reducing carbon emissions must result in a much more localised city in which considerable thought has been given to minimising travel and in ensuring that all travel is part of a net zero carbon emission strategy.

Third, like many other UK cities Birmingham has a shortage of high-quality office space. Birmingham's economy continues to restructure towards more office-based employment. But, it must also be appreciated that some manufacturing functions require office-style accommodation. The key challenge is in identifying sites and persuading investors that Birmingham is a suitable investment location. This involves planning that is supportive of appropriate development proposals and that the city provides competitive investment yields.

Fourth, retailing and entertainment play an important role in city living. Nationally retailing is undergoing radical restructuring. The near future will see the collapse of more established retailers. Birmingham must rise to the challenge and continue to support the transformation of the city's retail core into an entertainment and experience space.

This is an extremely exciting time in which to live and work in Birmingham. The current national debate is dominated by Brexit, but this distracts attention from what should be the primary challenge facing Birmingham and the UK – climate change. Adopting a net zero carbon emission approach to Birmingham will produce major alterations in the way the city is planned and developed. This will

require major alterations in everyday living. What is required is an approach to transforming Birmingham that is both responsible and inclusive. A responsible approach will balance present with future needs and outcomes. An inclusive approach will create a safer and more prosperous city.

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