



ADMIRER PROPERTIES

WHY INVEST IN BIRMINGHAM?



Birmingham is a popular location for buy to let investors due to the city's regeneration and population increase and showing strong growth in rental yields.

With its lower property purchase prices than London and the South East, a large student population and its popularity with overseas students and businesses have created plenty of opportunities for both new and established landlords to turn a profit.

With the construction of the HS2 high speed rail between Birmingham and London, interest within the city is looking to increase. The rail line will decrease journey time between the midland city and the country's capital down to just 49 minutes making commuting a realistic option.

INTRODUCTION

Superb transport connections and one of the youngest populations in Europe support strong buy to let yields in Birmingham. As England's second largest city, Birmingham has a large population, a solid employment base, several major universities and colleges and is the focus of billions of pounds of regeneration investment.

The regeneration began in 2010 and is scheduled to continue for 20 years, it's 'Big City Plan' focuses on opening and expanding the city centre area. The £750 million redevelopment of Birmingham's New Street Station and the improvements to the local Metro light rail service which has opened a city centre extension. These are just two examples of the major infrastructure improvements that the plan has already made.

Birmingham is also set to benefit from construction of the first phase of the HS2 high speed rail service which will link the Midlands and the North of England to London. Once this has completed, the journey times between London and Birmingham will reduce to 49 minutes.

Birmingham's growing connectivity is one of the main factors in attracting young professionals to the city. According to the Office for National Statistics (ONS) around 45% of Birmingham's residents are aged under 30,

also being one of the youngest cities in Europe. There are 50,000 students attending Birmingham's five universities and around 6000 taking the opportunity to study from overseas.

Home to huge organisations including Deutsche Bank, engineering firm IMI and Boparan Holdings, Birmingham is also making a name for itself in young industries such as technology, creative industries and life sciences. Additionally, it boasts the UK's biggest city centre enterprise zone with 26 sites.

Overall, Birmingham as a city is thriving and its population is expected to grow by 3.6% between 2015 and 2020, equating to around 40,000 additional residents according to the ONS. This increase means that in 2019 the city is predicted to be the home to an estimated 440,529 households. Many of these people will be looking to rent.

Even still at Birmingham's population level, it's still delivering proving profitable for buy to let landlords. Property Partners recent research on rental yields in the UK cities, put Birmingham third on the list with a gross yield of 6.9%.



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WHAT NEXT?

While the city's potential for buy to let investors seeking to grow their portfolio appears bright, there are still a couple of factors pondering the minds of landlords across the country. Not least of these is the UK's vote to leave the European Union.

The longer-term effects of Brexit on the buy to let market are still to be felt;

- How will the predicted economic cooling affect the housing market?
- Could the falling pound prompt a rise in foreign investment in UK property?

Only time will provide the answers, however, Birmingham has several aspects that will cushion any negative blow that follows the UK's divorce from the EU.

HS2 arrival within Birmingham, expected in 2026 is the headline attraction for potential investors. Connecting London and Birmingham is the first phase of HS2's development. Once completed it will decrease the journey to London down to 49 minutes with many suggesting that this could make Birmingham a viable commuter town for London workers looking for lower living costs.

Additionally, Birmingham already has investment plans in the next five years with the city council promising £13.2 billion towards further regeneration and improvement. The sum of this money is set to be spent in the city centre.

Birmingham city council are also working to attract overseas property investors to the city and has already made a mark with some success stories. For example, Chinese property developers Country Garden have committed to £2 billion investment programme in Birmingham to build new homes and create jobs.

"Post-Brexit it's more important than ever that our city works with global capital markets to bring in new money from large institutional investors. Bringing in £2 billion for housing and other projects will have a much larger economic impact across the region for Birmingham companies and construction supply chain. Importantly it cements a relationship with the all-important China market."

Paul Faulkner of the Greater Birmingham Chambers of Commerce

HOTSPOTS IN BIRMINGHAM

Birmingham is a city on the up and has opportunities in everything from luxury apartments to family homes.

In 2015, Birmingham came second in the Council of Mortgage Lenders UK buy to let hotspots, moving up five places from seventh in 2014. There are variations of recognised and up and coming locations across the city that attract different tenants, yields and of course purchase prices.

- The Jewellery Quarter – There is strong demand from tenants to live in this central location, which has already benefited from Birmingham's regeneration programme. It's a popular choice for executives and young professionals, property purchase prices can be more expensive in this area.
- University areas - Edgbaston (B17) and Aston are both popular for their closeness to Birmingham's universities. There is great appeal for student housing in Birmingham due to the high population of undergraduates and this is expected to continue. Properties close to Aston University also benefit from a central location, so will be in demand with young professionals as well as students.
- Handsworth – North of the city's Jewellery Quarter. Handsworth is worth considering as an up and coming area due to the cheaper properties available which can be converted to higher rental yields, and its proximity to the city centre. This is likely to lead to higher sale prices in the medium to long term.
- Canalside – Birmingham is renowned for having more

miles of canals than Venice with many of these being regenerated the last two decades. Waterside living is popular among various demographics, from couples and families to older people who have sold their own homes and have joined the renting revolution.

- Perry Barr, Great Barr, Kingstanding and Hamstead - Located outside the city centre in B42 and B44 postcodes, but with excellent road and public transport connections with central Birmingham. These areas made a top 10 UK rental yield list by postcode from LendInvest. The B44 postcode made average rental yields of 13.6% over the course of the year. The City University's north campus is located within Perry Barr, so attractive for student housing. Additionally, there are also plenty of green spaces, often proving to be attractive to families and retired renters with amenities such as supermarkets within easy reach. The B42 postcode yielded returns of 11.9% in 2015, and like B44 area, house prices are reasonable.



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WHO ARE YOUR TENANTS?

Students, young professional or family, know who your tenants are and what they want to reduce void periods.

There's nothing generic about Birmingham property. The city thrives in everything, from luxury central apartments, to suburban family homes. Knowing which areas and styles of property appeal to which demographics is an important stage in purchasing your Birmingham buy to let.

Students main considerations are the location to their place of study plus the rents that they can afford. Specifically built student accommodation is one option, but larger houses which can accommodate several

occupants mean you gain above average yields, especially if your prepared to put in the work on maintenance and depending on the size of the property, installing HMO regulations.

Birmingham was in the top 10 in an August 2016 LendInvest study which was looking at the best student cities for property investment. It proved that lower property purchase costs and high demand from tenants in popular student locations close to Birmingham and Aston Universities.

WHAT YIELDS CAN YOU EXPECT?

Low purchase prices create high yield potential in Birmingham.

Birmingham property purchase prices are relatively low compared to London and the South East, meaning the city often appears on the best rental yields lists. According to Property Partners study, Birmingham has an average gross yield of **6.9%** but was outlined above as yields do differ by area, with some postcodes topping **10%** return whilst others will be below average depending on the market movements.

With buy to let properties, Birmingham landlords will need to account for an estimate two-month void period each year. In addition will need property maintenance, letting agents and tax expenses all considered. There is also the cost of mortgage interest which whilst negligible under the Bank of England normally low interest rate of 0.25% (2016) will inevitably rise at some point. Mainly because this interest can no longer be offset on tax, landlords need to keep an even closer eye on these costs.

But at the core of the matter is the cities reasonably low property prices. In 2016, Rightmove listed an average sale price of £170,353 for all of Birmingham with the city centre only being slightly more expensive being £172,995. Prices are still growing however with a 4% rise recorded between 2015 and 2016 and an 11% increase from 2007 to 2016.

THE FUTURE OF THE PROPERTY MARKET IN BIRMINGHAM?

Birmingham's future is very bright for buy to let due to the regeneration, infrastructure and transport investment.

The importance for Birmingham of the HS2 high speed rail link can't be underestimated. HS2 will bring employment in the area but also expected to open Birmingham to new demographics as people currently living in London and the South East will see new commuting options come available with an appealing reduced travel time.

HS2 is just one aspect in to the predicted population rise in Birmingham with ONS stating that an additional 40,000 people will live there by 2020. The younger 'Generation

Rent' population of the city will continue to make up a sizeable percentage of the market and its 50,000 strong student population solidifies the need for rental properties.

Birmingham's 'Big City Plan' is arranged to continue until 2030 which includes goals to grow the cities core by 25% and to introduce new city centre quarters, complete with redeveloped streets and open spaces. This flagship investment scheme alone should spark optimism within the market.

For more information, visit www.admiredproperties.co.uk or give us a call to discuss your individual investment goals on 01670 339 090