Living

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2020

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West Midlands & South West Forecasts

UK Living Research | 2020

JLL | *Achieve Ambitions*

Engines *for* Growth

The UK's seven largest regional economies are hugely important to the prosperity of the UK.

This report demonstrates that the city centre residential markets within these regions are all thriving and showing numerous signs of positive growth.

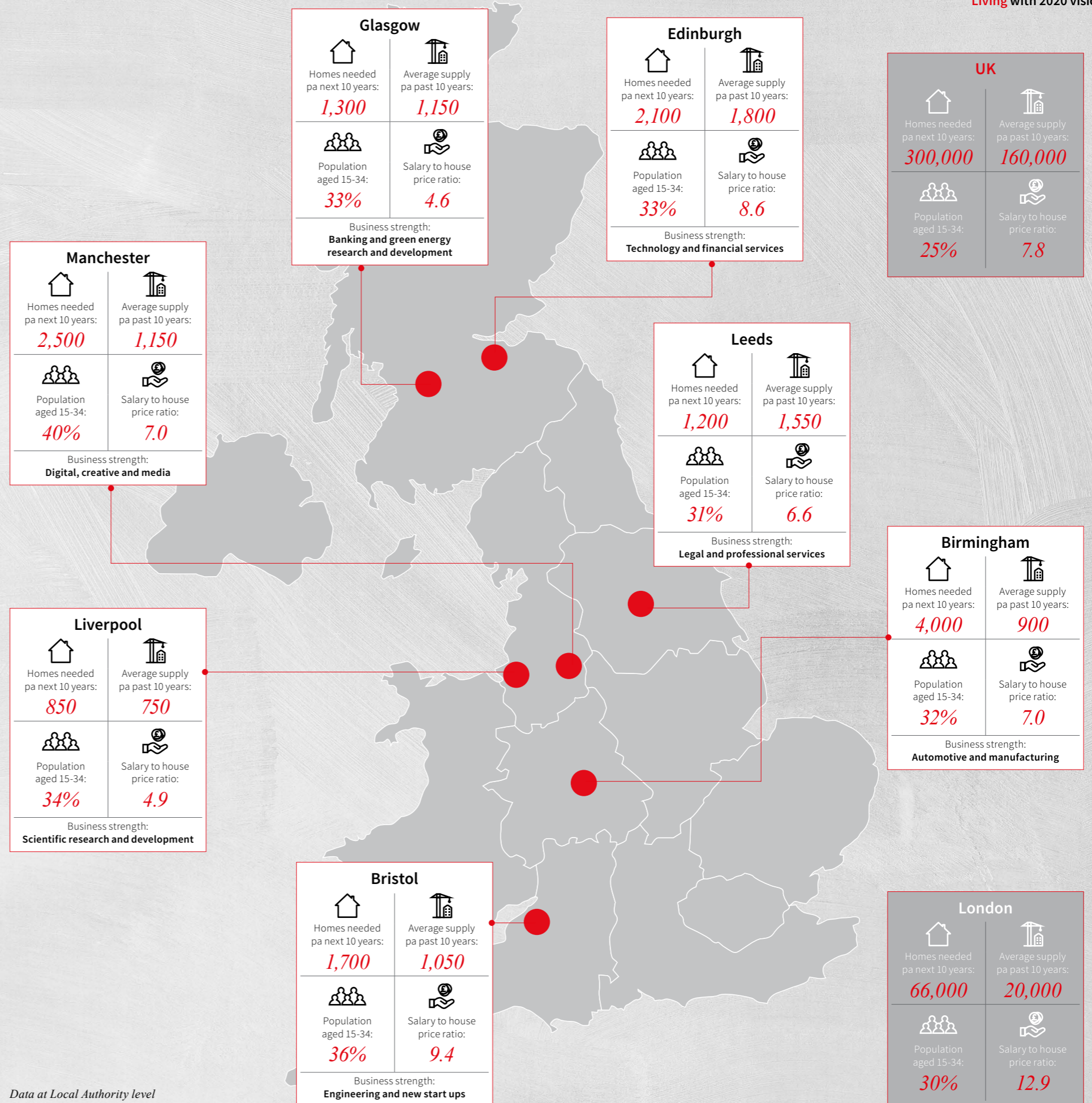Together the big seven regional UK cities account for 17.5% of UK GDP.

Their average GDP per capita is £32,500pa, 6.6% above the UK average. Such is their significance that the Government has identified these cities as engines of growth to boost the performance of the UK economy as a whole.

The UK2070 Commission, chaired by Lord Kerslake, has set out seven national priorities to pump prime these regional economies. At the heart of the action plan is accelerating devolution and encouraging the creation of major specialist regional employment hubs.

JLL has identified existing business strengths in each of the major regional cities. These strengths are outlined on the map on this page demonstrating that each city is starting from a strong position to encourage growth in a particular sector. But growing these employment hubs should be used as a way to facilitate growth in other sectors in each of the cities.

The regional cities are already attracting proportionally higher levels of students and young professionals than London, as the map shows.

If the regional giants can do more to retain talent by growing their respective employment hubs, all of them boast fundamental living advantages over the UK Capital – not least, they are all significantly more affordable places to buy a home. Their ability to offer a more balanced live-work package could just be their major trump card for their future growth.

Glasgow

Homes needed pa next 10 years: **1,300**
Average supply pa past 10 years: **1,150**
Population aged 15-34: **33%**
Salary to house price ratio: **4.6**

Business strength:
Banking and green energy research and development

Edinburgh

Homes needed pa next 10 years: **2,100**
Average supply pa past 10 years: **1,800**
Population aged 15-34: **33%**
Salary to house price ratio: **8.6**

Business strength:
Technology and financial services

UK

Homes needed pa next 10 years: **300,000**
Average supply pa past 10 years: **160,000**
Population aged 15-34: **25%**
Salary to house price ratio: **7.8**

Manchester

Homes needed pa next 10 years: **2,500**
Average supply pa past 10 years: **1,150**
Population aged 15-34: **40%**
Salary to house price ratio: **7.0**

Business strength:
Digital, creative and media

Leeds

Homes needed pa next 10 years: **1,200**
Average supply pa past 10 years: **1,550**
Population aged 15-34: **31%**
Salary to house price ratio: **6.6**

Business strength:
Legal and professional services

Birmingham

Homes needed pa next 10 years: **4,000**
Average supply pa past 10 years: **900**
Population aged 15-34: **32%**
Salary to house price ratio: **7.0**

Business strength:
Automotive and manufacturing

Liverpool

Homes needed pa next 10 years: **850**
Average supply pa past 10 years: **750**
Population aged 15-34: **34%**
Salary to house price ratio: **4.9**

Business strength:
Scientific research and development

Bristol

Homes needed pa next 10 years: **1,700**
Average supply pa past 10 years: **1,050**
Population aged 15-34: **36%**
Salary to house price ratio: **9.4**

Business strength:
Engineering and new start ups

London

Homes needed pa next 10 years: **66,000**
Average supply pa past 10 years: **20,000**
Population aged 15-34: **30%**
Salary to house price ratio: **12.9**

Data at Local Authority level

Source: JLL, Oxford Economics, MHCLG, CACI, ASHE, Land Registry

West Midlands & South West

Economic and residential performance

- The West Midlands and South West economies are forecast to expand by 2.0% pa over the next five years – only to be outpaced by London, South East and Eastern regions.

- The region's largest cities, Bristol and Birmingham, are predicted to see their economic growth outpace the regional averages.

- HS2 is already impacting Birmingham, raising its profile in residential and business terms. This will improve further as the opening of the line nears.

- Bristol and Birmingham are expected to witness two of the strongest rates of sales price and rental growth of any UK city over the next five years.

Economic and demographic forecasts
(2020-2024 % change pa)

	GVA growth	Employment growth	Population growth
Bristol	2.5	1.1	0.8
Birmingham	2.2	0.9	0.8
Exeter	2.3	1.0	1.1
Plymouth	1.6	0.2	0.1

Birmingham

Bristol

Exeter

Plymouth

Birmingham

- Birmingham is expected to grow strongly in economic and demographic terms over the next five years.
- Urban living has taken hold in the city centre in recent years and is expected to grow further. This has been aided by enhanced public transport at Grand Central, with further improvements when HS2 arrives.
- There is an exciting and active development pipeline which will help drive prices further still over the coming years.
- There has been little new multifamily (build to rent) development to date. There are two schemes under construction with more to follow in the medium-term, helping to absorb the increasingly strong rental demand.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£250k	4.25%	£1,000	16.5%	15.9%
(8.7%)	(4.25-4.50%)	(5.3%)		

Bristol

- Bristol's economy is set to grow faster than any UK city, with the exception of Manchester, over the next five years.
- There is very little build for sale development in the city centre as a result of high land values and competition from other uses.
- Bristol's first coliving scheme now has planning permission.
- The multifamily (build to rent) sector continues to grow with several developments under construction, including the city's tallest tower.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£305k	4.00%	£1,325	17.0%	15.9%
(5.6%)	(4.00-4.25%)	(3.9%)		

Exeter

- Despite being by far the smallest of the UK cities analysed, the economic and demographic outlook is extremely positive.
- However, very few homes have been built in the city centre in recent years while the projects currently in the pipeline are taking time to materialise. Most of the development activity has been on the city outskirts.
- The lack of development will support prices and rents to some extent, but it will also stymie the potential for new product to drive values notably higher.
- There have been no multifamily (build to rent) developments in recent years and few in the development pipeline.
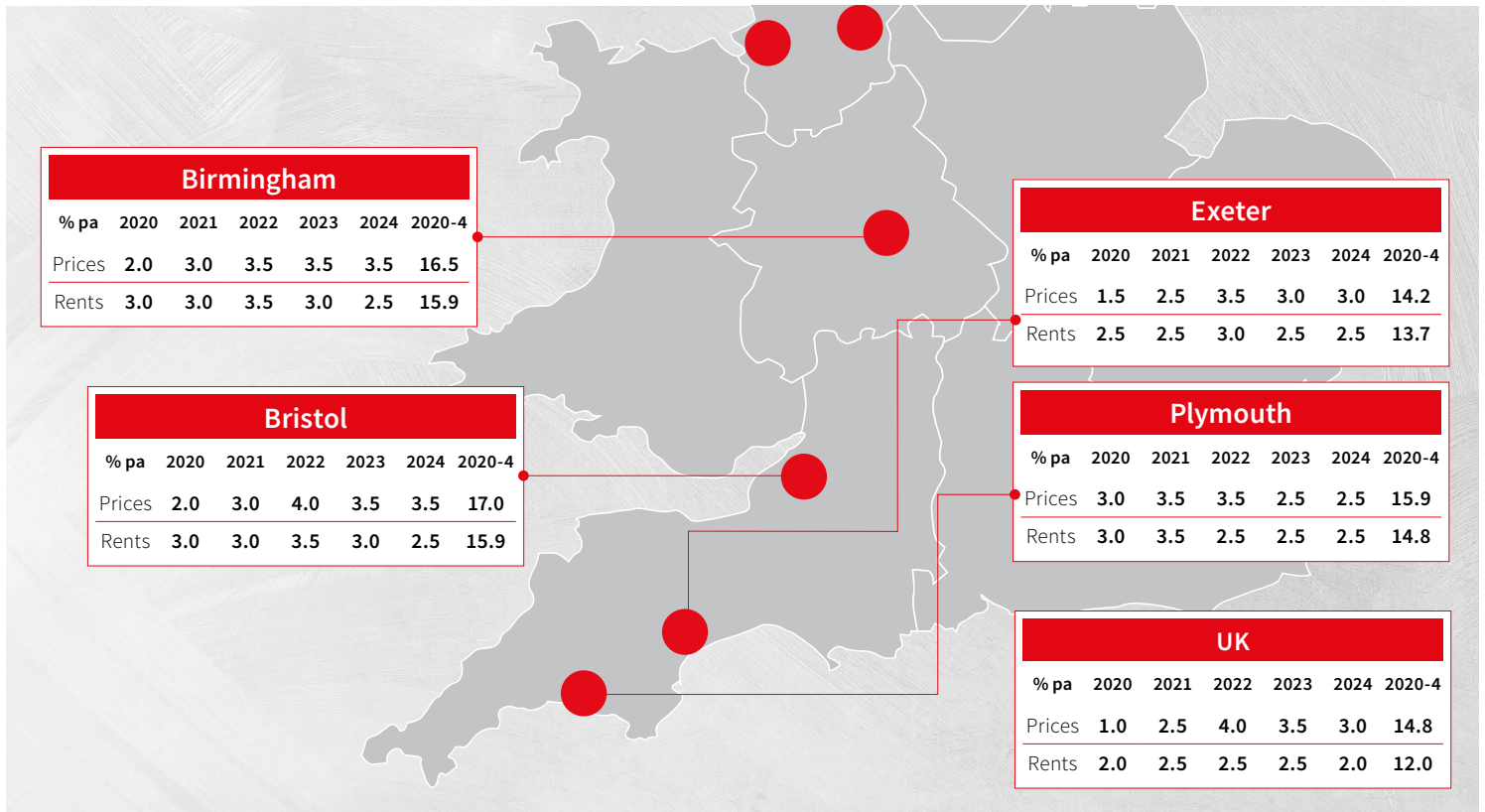
Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£240k	4.65%	£950	14.2%	13.7%
(2.1%)	(4.50-4.75%)	(0.0%)		

Plymouth

- Plymouth's economy and population are forecast to grow only modestly over the next five years.
- The 400 year Mayflower anniversary celebrations are expected to raise the profile of the city and could lift sales price and rental growth during 2020 and 2021 in particular.
- There has been a reasonable amount of development in recent years, predominantly focused around Plymouth's waterfront.
- There have been no multifamily (build to rent) developments but with city centre rental demand high, there may be some planning applications in the near future.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£230k	4.75%	£850	15.9%	14.8%
(4.5%)	(4.75-5.00%)	(0.0%)		

West Midlands & South West Forecasts

Birmingham

% pa	2020	2021	2022	2023	2024	2020-4
Prices	2.0	3.0	3.5	3.5	3.5	16.5
Rents	3.0	3.0	3.5	3.0	2.5	15.9

Exeter

% pa	2020	2021	2022	2023	2024	2020-4
Prices	1.5	2.5	3.5	3.0	3.0	14.2
Rents	2.5	2.5	3.0	2.5	2.5	13.7

Bristol

% pa	2020	2021	2022	2023	2024	2020-4
Prices	2.0	3.0	4.0	3.5	3.5	17.0
Rents	3.0	3.0	3.5	3.0	2.5	15.9

Plymouth

% pa	2020	2021	2022	2023	2024	2020-4
Prices	3.0	3.5	3.5	2.5	2.5	15.9
Rents	3.0	3.5	2.5	2.5	2.5	14.8

UK

% pa	2020	2021	2022	2023	2024	2020-4
Prices	1.0	2.5	4.0	3.5	3.0	14.8
Rents	2.0	2.5	2.5	2.5	2.0	12.0

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