

How residential development is on the up in Birmingham

By **Andrew Hillier** | Wed 7 February 2024

Looking out from the 29th floor of the unfinished Octagon build-to-rent (BTR) development in Birmingham, it is clear to see this is a city on the rise. In every direction of the compass, cranes tower over the city centre, casting large shadows on the streets below in the winter sun.



Metal guardian: Ozzy the mechanical bull dominates the Grand Central mall

In decades gone by, they would have been there to construct the latest office and retail developments. Now, most are there to bring new residential developments to the city.

Like in many major conurbations, residential development is becoming an increasingly important part of the city centre landscape in Birmingham.

Major schemes to date include Moda Living's The Mercian, which became the largest residential tower in the city when the 42-storey BTR scheme was completed in 2022. The 49-storey Octagon is set to take The Mercian's crown once completed in 2025 (see box, p37), and an even taller residential development is now planned: Court Collaboration's BTR development One Eastside, next to the new Curzon Street HS2 Station, will be 51 storeys once completed.

It is not just tall tower schemes that are taking off. In areas such as the Gun Quarter, famous for firearms manufacturing, lower-rise residential schemes are starting to replace outdated warehouses as regeneration projects spread outside the city centre.



Joe Shorney, head of residential sales for the Midlands region at Savills, says the appetite for resi has grown hugely in recent years. "The city centre apartment market is becoming very well established," he says. "There's significant demand for high-quality accommodation with amenities.

"Post-pandemic, we've started to see people come back into the city centre because they want the ability to walk to work and the convenience of being able to go out to local

BTR boom: Moda's Great Charles Street scheme will have 722 apartments

restaurants or bars."

Shorney says the way the city has repositioned itself in recent years has played a significant role in the resurgence. "I remember when fund managers used to arrive at the old Birmingham New Street Station and they would hit a wall of concrete and couldn't wait to get on the train back to London.

Now, the arrival into the city is incredible. We have Grand Central [shopping centre] and Paradise Birmingham."

Birmingham city centre housing

Average secondhand house prices*

£229,503

Average price per sq ft*

£296

Average rent for A one-bed

£930

Average rent for A two-bed

£1,250

*Source: Savills Research *Jan to Sept 2023*

The Paradise Birmingham regeneration scheme sits largely on the site of the former Central Library and next to the city's historic Chamberlain Square. The office-led scheme has attracted big-name employers to the city, including accountancy firm PwC, investment bank Goldman Sachs and civil engineering firm Arup.

“What Paradise has done has been fantastic for the city and has helped bring new commercial opportunities,” says Shorney. “From a lettings and for-sale point of view, that has helped fuel demand for residential property.”

Octagon is one of the latest schemes being brought forward as part of the Paradise masterplan. Ross Fittall, commercial manager at MEPC, which is responsible for delivering the Paradise scheme, says the primary aim of the masterplan was to join the two sides of the city and improve pedestrian connectivity. “The buildings were almost secondary,” he says.

The original masterplan set out to create a commercial district and Fittall says a residential element was only added in 2018. “We got outline planning in 2014 and, at that time, city centre residential wasn't viable. But as time moved on, we recognised the need to add it in.”

A 24-hour city

Fittall believes the Octagon development will fit neatly with the overall Paradise Birmingham plan, helping to create a '24-hour city' where people work, live and socialise.

William Cox, lead director for residential at JLL Birmingham, which has recently moved its office into the Paradise area, describes Octagon as "very impressive" and expects the apartments to let quickly when finished. "It will be the tallest tower to be completed in the city," he says. "Moda Living's The Mercian transformed the rental market in the city centre. It moved prime rents up 20% to 30% and has allowed buildings like Octagon to come through."

Cox says one-bed apartments in high-end BTR developments in the city now achieve rents of £1,400 to £1,500 a month and two-beds can let for up to £2,000 a month. Such numbers seemed unachievable a few years ago.

He adds that while there is currently a strong preference for rental properties because of higher mortgage rates, for-sale properties are doing well "partly because there aren't too many properties on the market". New for-sale residential developments are still coming forward, according to Cox, with regeneration specialist Berkeley Group last year named preferred partner for the 7,000-home regeneration of the Ladywood Estate.



Bullish outlook: new schemes are springing up around the Bullring

Cox credits Birmingham City Council and West Midlands regional mayor Andy Street with helping to drive forward the city's renewal. "They are very welcoming of development," says Cox. "It's not a case of 'will you get planning permission'; it's 'how much will you get?' [Sometimes] the council has been pushing for extra height and the developer has said it would be unviable if they went over a given number of storeys."

Savills' Shorney agrees: "Andy Street is very pro-development and is hungry to see the city reposition itself. The city council planning authority has also been very supportive of adding high-quality residential living.

"There are always blockages, but Birmingham does seem to be one of the local authorities that's keen to push forward."

Birmingham-based Elevate Property Group is among the residential developers targeting inner-city locations. Its developments include the conversion of Priory House, the former home of the Forensic Science Service, into 79 apartments, and Gunsmith House, an 85-apartment scheme on the site of a former gun factory in the Gun Quarter.



Despite the housing market experiencing a dip over the past 18 months, Elevate sales director David Hofton says business has remained brisk, with the firm continuing to sell properties successfully off-plan. "We've been quite lucky," he says. "We've been able to sell locally but also to a lot of expats overseas."

He says that while it has been harder for buyers to secure mortgages at affordable rates, the firm has not been forced into reducing prices to attract sales. Instead, it has seen more investors snap up properties to take advantage of the rising rental values. "Rents have been going up so strongly that the yields have carried that market," says Hofton.

At a development it recently completed in the Solihull area of Birmingham, Hofton says Elevate expected rental investors to achieve around £995 a month in

Finding Paradise: the office-led scheme has landed big-name tenants

rent based on the latest data, but agents were able to get £1,150 a month. “There’s a lot of movement,” he says.

Rav Kudhail, a Birmingham-based lending manager at Atelier, which specialises in providing finance to small and medium-sized developers, says that while the past few years have thrown up challenges for the residential development market in Birmingham, it has remained resilient.

Struggle to find finance

During the pandemic, Kudhail says small and medium developers found it harder to borrow from traditional and challenger banks. More recently, they have struggled to find finance at affordable rates because of rising interest rates. This led them to turn to specialists such as Atelier for capital.

Residential schemes it has financed include the 155-bed Volume Works student scheme in the Gun Quarter and Middleton House, a 15-unit luxury apartment scheme in the Colmore business district.

“We have invested heavily in rate risk management, which has allowed us to offer fixed interest rates,” says Kudhail. “The last thing developers want is for their interest rates to be going up to 8% or even 10%.”

One of the big challenges facing developers in Birmingham is securing land at a reasonable price, he says.

“A lot of the landowners with sites in prime locations such as the Gun Quarter or Digbeth have owned the asset for a number of years and they’re not under any pressure to sell,” says Kudhail. “So, if they can’t get the money they want, they just sit and wait.”

As a result, transaction volumes have been down in the local market because developers are wary of overpaying. “There are challenges with the planning process and perhaps not the pipeline of sites that people would want,” says Kudhail. “But there are deals out there. In a difficult market, there will be the chance for developers to pick sites that might be in distress or reposition former office buildings.”

Overall, he believes the prospects for the residential market in Birmingham are very positive. “The city has got jobs and a younger population,” says Kudhail. “Geographically, it’s really well positioned. It has all the hallmarks of a city that’s going to thrive over the next 10 to 15 years.”

Elevate’s Hofton agrees, noting that tens of thousands of younger people stay on to work in Birmingham after studying at local universities. “A lot of London companies are also decentralising and moving to areas like Birmingham,” he says. “And even though there’s a lot of development going on, there’s still a shortage of housing stock.”

Gunsmith House



Located on the site of a former firearms factory, Gunsmith House is being developed into 85 one- and two-bedroom apartments by Elevate Property Group. A small number of the apartments have been created out of the old warehouse buildings and retain original features, but most of the apartments are new builds.

The development is expected to reach practical completion this spring. The apartments are on sale for between £225,000 and £550,000 and sales agent Savills says more than 75% of the homes have been sold.

Joe Shorney, head of residential sales for the Midlands region at Savills, says the development offers great convenience, with Aston University, the business district, Bullring Shopping Centre and Birmingham New Street and Snow Hill railway stations all nearby.

Octagon



As its name suggests, Octagon is an octagonal-shaped building that, when completed next year, will be the world's tallest octagonal residential building and the tallest tower in Birmingham.

The 49-storey build-to-rent development falls within the Paradise Birmingham regeneration scheme and is being funded by City Developments of Singapore. A total of 370 high-end one- and two-bedroom apartments will be created on the site.

Andy Bushell, development manager for MEPC, which is overseeing the development of Paradise Birmingham projects, says many elements of the building have been created off site and craned into place.

“All the bathrooms and utilities are podded,” he says. “The floor slabs are pre-cast and the facade is made in Northern Ireland.”

The one-bed apartments will be 600 sq ft and the two-bed apartments 775 sq ft, which Bushell says is generous compared with other new-build flats in Birmingham.

“We went for generous layouts rather than generous communal spaces,” he says. “Another big thing is the amount of natural light you get in the apartment because of the ribbon windows.”

Great Charles Street



Moda Living is constructing its latest build-to-rent (BTR) development in Birmingham at Great Charles Street on the edge of the city's Jewellery Quarter.

The development will provide 722 high-quality homes across three blocks spanning six to 39 storeys. Moda is working with Sisk, the contractor responsible for building The Mercian, its 481-home BTR development on Broad Street in Birmingham.

Amenities on site will include a fitness centre and concierge, private dining rooms, co-working areas, resident sky lounges, roof terraces and cinema rooms.

The development is expected to be completed in 2025.

Moda managing director Tony Brooks said last year that breaking ground on its second development in Birmingham was a big milestone for the firm. "The city is going through an exciting evolution and we're proud to be part of its transforming skyline," he said.