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IS BIRMINGHAM STILL THE BEATING HEART OF THE WEST MIDLANDS?

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INTRODUCTION

Home to **39%** of the population of the West Midlands[1] and accounting for **40%** of its Gross Domestic Product, the success of Birmingham is critical to the success of the wider region.

Building upon the opportunities created by hosting the 2022 Commonwealth Games, Birmingham is experiencing an ongoing transformation that has been nothing short of spectacular in recent years, with ambitious plans to make it one of the most vibrant and exciting cities in the UK. The second city is already a thriving place, known for its world-class universities, bustling business district and rich cultural heritage. However, the City Council is now looking to take it to the next level with its plans for a golden decade.

There are numerous major developments expected to come forward in the next few years that will contribute to this golden decade, such as Smithfield, Langley and the major regeneration of Ladywood.

However, although the city is young, diverse and full of talent and potential, it also has a level of unemployment twice the national average, a ten-year gap in life expectancy between the richest and poorest areas of the city, and **42%** of children are growing up in relative poverty.

The supply of new homes over the coming years exceeds the targets set out in the current Birmingham Development Plan (BDP). But with this now being over five years old, the standard method applies for calculating housing land supply. The effect of which is that the city cannot currently demonstrate a five year housing land supply.

In addition, Birmingham faces challenges in securing the full range of homes needed to meet the needs of its residents, with particular issues associated with the delivery of new affordable homes. The city also faces a significant challenge with an ageing stock of homes that aren't fit for the future, which needs urgently addressing given the impact that housing has on determining health outcomes.

RECENT PERFORMANCE

Birmingham City Council's most recent Authority Monitoring Report was published in summer 2022. It sets out an assessment of performance for the monitoring year from 1st April 2020 to 31st March 2021 across a range of different measures taken from the BDP.

HOMES
THE DELIVERY TEST

The most recent Housing Delivery Test results were published in January 2022 and relate to the delivery of new homes between 2018/19 and 2020/21. Birmingham achieved a healthy **167%** resulting in no adverse consequences being applied.

It should be noted however, that in future years assessment will be against the standard method derived from local housing need rather than the BDP housing requirements. This means that unless there's a marked uplift in delivery, Birmingham is at risk of not meeting the delivery test, although the Government is proposing to remove the test, reducing the likelihood that this will have any impact on the city.

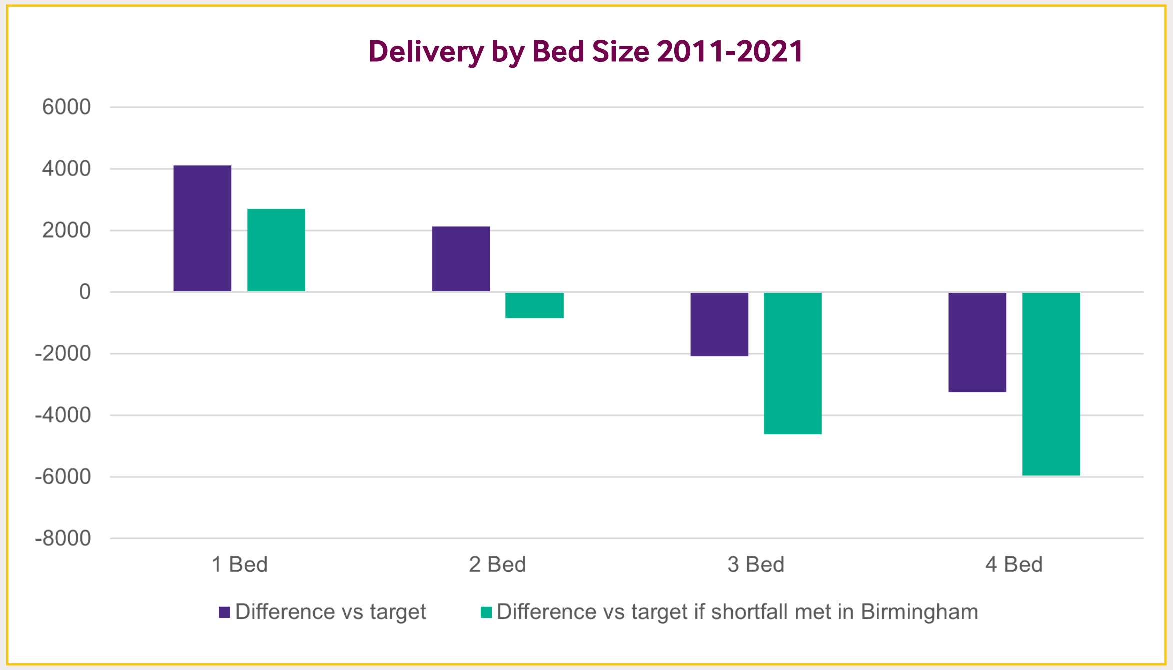
[1] Metropolitan County

DELIVERING THE RIGHT TYPE OF HOMES
THE SIZE OF HOMES BEING DELIVERED

In recent years much of the delivery of new homes in Birmingham has been focused on the city centre, with the proportion and quantity of one and two bed homes exceeding the city's targets. This has an important role to play in supporting the growth of Birmingham's economy, particularly with regards to assisting in retaining graduates and providing opportunities for young professionals. However, at the same time the delivery of three – and four-bedroom homes as a proportion of new dwellings in recent years has been under target.

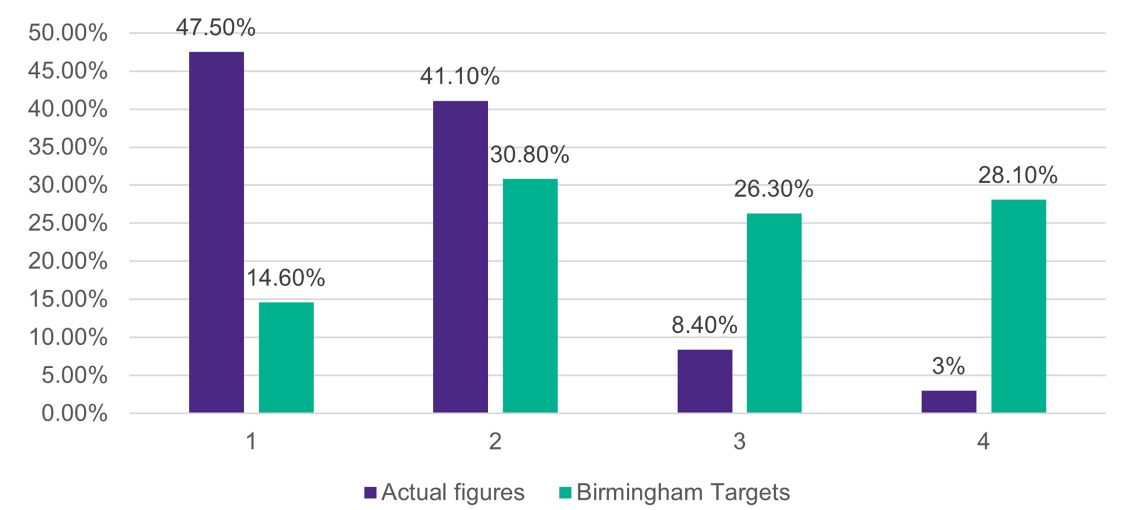
Notably, even if Birmingham had been required to meet the BDP housing need solely within Birmingham the proportion of one beds delivered to date would exceed the quantum required, with the number of two beds slightly below the total housing requirement, and a further shortfall for three and four beds.

It is important to note however that developers would not deliver homes if there was no market for them, suggesting that the market has evolved since the BDP targets were produced. This is not surprising given that the BDP was prepared following the great recession and was predicated on understandably cautious forecasts for city centre development.

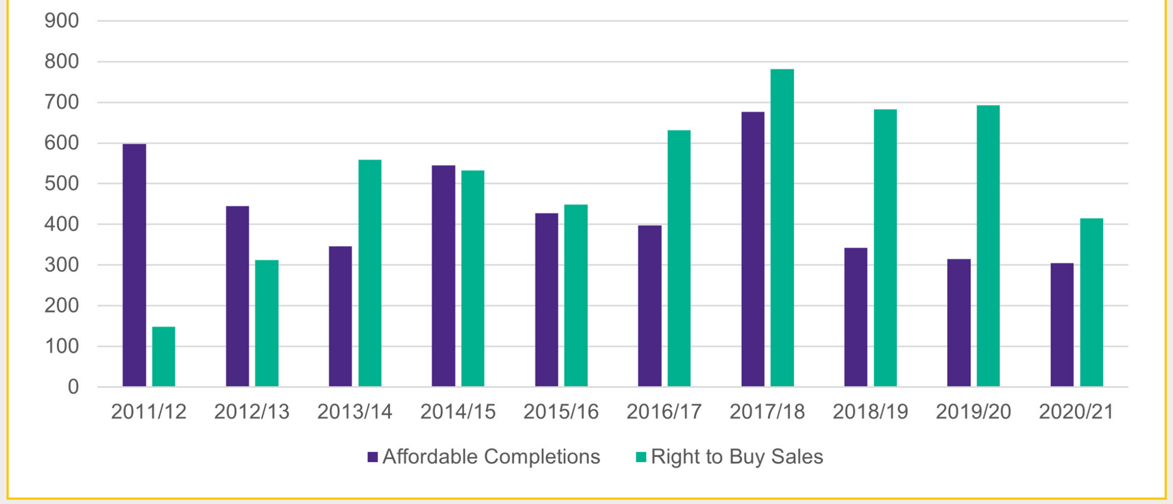


RPS, on behalf of our client St Modwen, have also reviewed the pipeline of residential development as set out in the Council's most recent Strategic Housing Land Availability Assessment published March 2022. This includes consented developments that were either under construction or still implementable as of the 31st of March 2021. This again shows the proportion of one and two bedroom homes exceeding the target and the proportion of three and four bedroom homes below the target.

Percentage of consented 1,2,3 & 4 bedroom dwellings against Birmingham City Council Targets



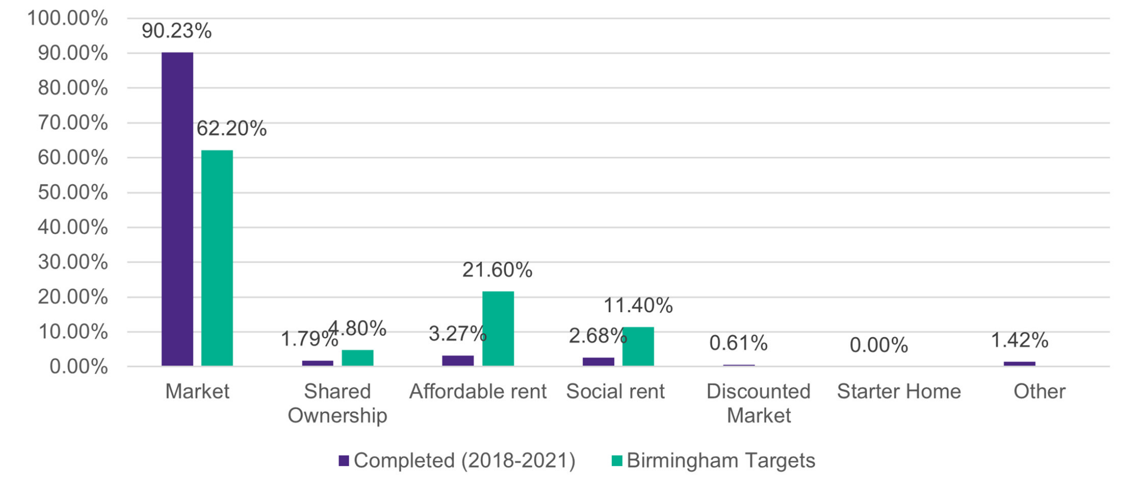
Comparison of Affordable Housing Completions against Right to Buy Sales



THE TENURE OF HOMES BEING DELIVERED

In terms of homes delivered in Birmingham in recent years, the proportion of market dwellings, which includes both homes for sale and Build to Rent developments, has exceeded the Council's targets. Birmingham do not currently have a policy target for Build to Rent (BTR) and so there are no official figures from the Council for the proportion of BTR development versus homes built for sale. But it has been reported by Deloitte that as of 2023 the BTR sector accounts for the most new builds under construction in the city.

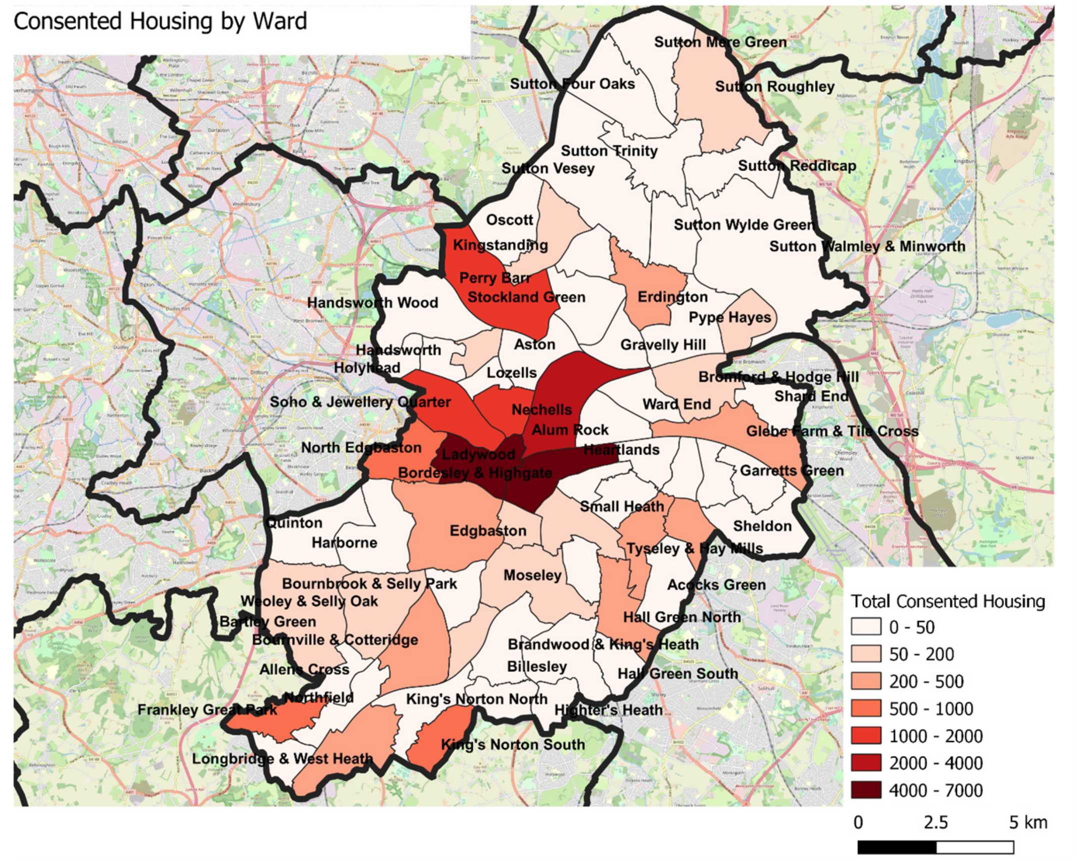
Percentage of completed (2018-2021) housing tenures against Birmingham City Council Targets



Conversely, the delivery of affordable homes is significantly under target. Since 2011 approximately **51%** of the required number of new affordable homes required have been delivered, with delivery in recent years being particularly low. In its own right this is concerning, but it also masks a bigger issue – the total stock of affordable homes in Birmingham is falling as a consequence of tenants exercising the Right to Buy. Between 2011 and 2021, **5,205** former affordable homes have been sold to tenants. In contrast over the same period only **4,395** new affordable homes have been built, which means that over this period the total stock of affordable homes in Birmingham has fallen by 810 homes.

WHERE ARE HOMES BEING DEVELOPED?

We have undertaken an analysis of the location of consented residential developments across Birmingham. There is a clear focus on new development within the city centre and surrounding wards. In addition, a substantial proportion of new homes are consented within the Perry Barr area, which is not surprising given the acceleration of investment in this area that has been unlocked through the Commonwealth Games. There are also a number of large scale residential developments that have been consented towards the outskirts of Birmingham. Although not yet formally consented it should be noted that the outline application for the Langley Sustainable Urban Extension in the Sutton Coldfield Walmley & Minworth Ward in the north east of the city received a resolution to grant approval subject to the completion of a Section 106 Agreement in December 2022 for up to **5,500** homes.



FIVE-YEAR HOUSING LAND SUPPLY

The Birmingham Development Plan (BDP) became over five years old in January 2022. This meant that for the purposes of calculating housing land supply, Birmingham could no longer rely on the housing requirement in the BDP, which had been set on the basis that over **40%** of the city's housing need was to be delivered by its neighbours.

In addition, as a result of national policy Birmingham is also required to add on an extra **35%** to its housing need figure, calculated using the standard method, giving an annual requirement in 2022 of **7,136** homes.

The overall result of which means that Birmingham's housing land supply position moved from a relatively healthy **6.28** years in 2021 to just **3.99 years** in 2022.

Our assessment of housing need using the most recent affordability ratios and 2014 based housing forecasts for 2023 to 2033 suggest that Birmingham's housing need figure is now **7090** new homes per year. Although we don't currently have access to more recent housing supply information, using the supply figure of **29,944** homes published in October 2022 suggests that the position will have slightly improved to around 4.22 years.

EMPLOYMENT
INDUSTRIAL AND LOGISTICS

The delivery of industrial and logistics development

Between 2011 and 2021 111.01 ha of employment land was completed, averaging just over 11 ha per annum. It is anticipated that completions will rise in the latter half of the BDP plan period as development progresses on the strategically important Peddimore and Wheels sites.

The supply of land for industrial and logistics

As of April 2021, Birmingham had a readily available supply of land for industrial and logistics development (referred to as employment land) of 113.5 ha against a locally set rolling target of 96 ha which is equivalent to an average five years' demand. In addition, a further 11.2 ha of employment land was readily available at the city's Regional Investment Sites. A significant proportion of this supply is located at the 71 ha Peddimore site on land that was released from the Green Belt through the adoption of the BDP. The other major contributor to the city's future employment land supply is the former Birmingham Wheels site in East Birmingham which received **£15.5m** of Levelling Up Funding from the Government in 2021 towards remediation works.

OFFICES

The delivery of office floorspace

The gross amount of office floorspace delivered in Birmingham between 2013 and 2021 was 163,365 sqm. This included the notable completion of the first building in the wider Paradise redevelopment One Chamberlain Square now home to PWC.

More recently, and not yet captured in the Council's official completion figures, a number of other notable office developments have been completed in Birmingham including both Two Chamberlain Square and the 26 storey 103 Colmore Row development.

Future office floorspace supply

The overall target set by the BDP for office floorspace is 745,000 sq. by 2031. As of April 2021, there was a total of 567,935 sqm of office floorspace either under construction or with planning permission. Taking account of the office floorspace already delivered since 2013 this leaves a relatively minor shortfall of 13,700 sqm against the target. However, there are sites with expired permission for 251,978 sqm of additional office floorspace. While not all of these sites are expected to necessarily come forward, this suggests that there are numerous opportunities to address the shortfall in office floorspace by 2031.

KEEPING THE HEART OF THE WEST MIDLANDS BEATING

Given the scale of the contribution that Birmingham makes in terms of providing both homes and employment opportunities for the residents of the West Midlands, it is vitally important that all of the potential tools available are utilised to ensure the ongoing success of the city.

The Birmingham Plan

As noted above, the adopted BDP is now over five years old. This has put the Council in the unenviable position of being unable to demonstrate a five year housing land supply. This engages paragraph 11 (d of the National Planning Policy Framework and the so-called 'tilted balance' for residential developments. Whilst at face value this may be seen as a positive in that it makes securing planning permission for residential development potentially easier it also undermines the certainty offered by the plan led system. Moreover, whilst this may lead to the delivery of more homes in the short term it also means that land identified for other important uses, such as employment, may instead be developed for residential purposes and undermine the delivery of a balanced mix of uses. In addition this makes it more difficult for the city to secure the delivery of much needed affordable housing.

Unsurprisingly, the Council are in the process of preparing the Birmingham Plan, which will when adopted replace the current BDP. The Council consulted on Issues and Options late last year and are on track to consult on their preferred option in the Autumn of this year. Despite the Government's proposed changes to the Local Plan preparation process, which has led to many Councils delaying the preparation of their Local Plans, we understand that BCC intends to submit the BDP for Examination before the end of June 2025 and so proceed under the current system.

The task faced by the Council in meeting this deadline should not be underestimated. In particular the level of housing need that the city is expected to accommodate has been inflated by the **35%** urban uplift for the 20 largest urban areas. In addition it is expected the city will come under pressure from its neighbours to consider the release of further Green Belt to accommodate its housing needs.

With regards to employment development, it is notable that beyond the key locations of Peddimore and Birmingham Wheels, as well as land at Washwood Heath that may be available post completion of HS2, there are no obvious future locations for strategic employment land to meet longer term needs for industrial and logistics development. Whilst to date Birmingham has not had to export employment land need, it appears likely that this will be the case for the next Birmingham Plan. The West Midlands Strategic Employment Sites Study that is currently being prepared will be a key piece of evidence in this context.

Continued

THE FUTURE CITY PLAN

In contrast to the statutory Birmingham Plan, the Future City Plan which is due to be launched in May of this year is a non-statutory document that will set out the ambitions of residents, businesses, stakeholders and the Council for the ongoing development of the City Centre and surrounding areas.

Subject to comprehensive consultation during 2021 the Future City Plan will provide a new vision and strategy for investment that will stimulate green, inclusive growth that meets the diverse needs, and maximises the potential of all Brummie communities

Going beyond the area covered by the well known Big City Plan, which focused on the area within the Middleway, the Future City Plan will incorporate the entire Central Birmingham area from city core to inner-city suburbs, extending past the ring road to promote and link opportunities and investment that meets the growth needs of more communities.

WEST MIDLANDS DEEPER DEVOLUTION DEAL

Announced in March 2023, the deeper devolution deal for the West Midlands includes a range of measures that will assist with the ongoing growth of Birmingham and the wider West Midlands. This includes the allocation of a 'department style' funding settlement giving the WMCA autonomy on how its allotted funding is spent to benefit the region.

Of particular importance to Birmingham are the affordable housing aspects of the deal. In the immediate future the WMCA will have an input into decision making on the current affordable housing programme that is administered by Homes England. In the longer term the WMCA will take on a more strategic role for future rounds of the affordable housing programme.

ABOUT RPS

Founded in 1970, RPS is a leading global professional services firm of **5,000 consultants** and service providers. Located in **125 countries** across all six continents, RPS define, design and manage projects that create shared value for a complex, urbanising and resource scarce world.

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