



# Birmingham Housing and Economic Development Needs Assessment

Final Report

Iceni Projects Limited on behalf of  
Birmingham City Council

April 2022

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# 1. EXECUTIVE SUMMARY

- 1.1 Birmingham City Council commissioned Icen Projects, together with Cambridge Econometrics (CE) and Justin Gardner Consulting (JGC) to prepare this Housing & Economic Development Needs Assessment (“HEDNA”).

## **Functional Geographies**

- 1.2 The study confirms a strategic HMA which covers Cannock Chase; Lichfield; South Staffordshire; Tamworth; North Warwickshire; Stratford-on-Avon; Bromsgrove; Redditch; Birmingham; Dudley; Sandwell; Solihull; Walsall and Wolverhampton.
- 1.3 The study also confirms a Functional Economic Market Area consisting of the Greater Birmingham and Solihull LEP (Birmingham, Bromsgrove, Cannock Chase, East Staffs, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest) and Black Country LEP (Dudley, Sandwell, Walsall and Wolverhampton) as well as North Warwickshire and Stratford-on-Avon. There is also a case to be made for South Staffordshire to be included in this definition due to its close links to the Black Country.

## **Housing Stock and Market**

- 1.4 According to ONS, between 2011 and 2020 there has been approximately 21,700 additional dwellings completed in the City taking the total number of dwellings to 445,276.
- 1.5 At 55% the majority of housing is owner occupied but this is below the national and regional averages. In contrast the City has a relatively high rate of social and private renting.
- 1.6 In 2020 there were 8,586 property sales in the City, which was a substantially reduced volume in comparison to previous years. Median house prices in the City were £192,000. This is more expensive than the wider HMA but below the West Midlands and National medians.
- 1.7 House price growth in the City of Birmingham has been higher than the wider HMA and Region over the last 5 and 20 year periods.
- 1.8 Median rents in Birmingham are £720 pcm, lower than the national figure of £730 and higher than the wider West Midlands of £660. Rents have been in almost constant growth since 2011.

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## **Household Survey**

- 1.9** As part of the study a survey of 1,800 local householders has been undertaken. The survey focussed on a range of information which is not readily available from other sources. The key findings include:
- 1.10** 11% of households stated that their home was inadequate with the main reason being that the current home is too small.
- 1.11** The main reasons for wanting to move include their current property is too small (24.4%), wanting a better environment (11.3%), physical access problems (8%), wanting to buy (6.8%) and wanting to downsize (6.8%).
- 1.12** Earnings data shows that households in PRS will have difficulty raising a deposit, with 41% stating that they have no savings or that they are in debt and a further 27% having less than £5,000 in savings.
- 1.13** In total, 13% of households stated that they needed to move. This was mostly likely for those living in social housing or the PRS. Of those needing to move c.50% said they needed to move now. There was a preference for social renting although around 35% would like owner-occupation but only 25% expect this tenure.
- 1.14** Of those needing a move in the owner-occupied sector most needed a 3-bedroom home. In the social rented sector, most needed a 2-bedroom home. In the PRS, most needed a 2 or 3-bedroom homes.
- 1.15** Around 20% of those who would like to move, would like to move to a bungalow. This figure is significantly above the current proportion of bungalows in the stock (<3%).
- 1.16** It is clear that households would prefer houses to flats.
- 1.17** Around 37% of households said that someone in their household has a disability. The main category of disability was a physical disability from a non-wheelchair user and mental health problems.
- 1.18** Around 25% of households with an older person had adapted their home, representing around 31,800 households. The most common adaptation was bathroom adaptations and handrails/grab rails.
- 1.19** In relation to the economy, the survey revealed that 22% of respondents had worked from home during the pandemic and only around 18% said they would be working from home five days a week.

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## **Housing Need and Demographics**

- 1.20** The population of Birmingham has risen by 16% since 2001 and as of mid-2020 is estimated to be 1,140,500.
- 1.21** Population growth has lessened more recently with the period of 2015-20 seeing an increase of 27,600 people – half that seen in earlier years.
- 1.22** The age structure of Birmingham is much younger than the wider region, with 23% of the population being age under 16 (compared with 20% nationally) and only 13% aged 65 and over (19% nationally).
- 1.23** In Birmingham, the 2014-based projection shows population growth of 13.3% (+154,313 people). This is substantially higher than the 2018-based principal projection (7.4% or 85,860 people) and slightly higher than the 2016-based projections (12.2% or 142,414).
- 1.24** It is considered that the 2018 alternative internal migration variant (10.9% change) is the most robust for Birmingham as it draws on the most recent data and examines trends over a longer period to the principal projections.
- 1.25** The Standard Method housing need (using the 2014-based projections) shows a need for 6,750 dwellings per annum (dpa) in Birmingham. This includes a 10% uplift to address affordability and a 35% increase as it is one of the twenty largest urban areas in the country.
- 1.26** Overall, it is considered that there may be exceptional circumstances in Birmingham that would point to a move away from the Standard Method. However, any lowering of the housing need number for Birmingham would have a converse increase in the other local authorities in the HMA if the need is assessed consistently.
- 1.27** We have developed two demographic scenarios, the first of which (Scenario 1) updates the demographics with the latest evidence within the parameters of the 2014-based SNPP. This results in a growth of 3,306 households per annum which when put through the Standard Method steps results in housing need of 4,904 dpa.
- 1.28** While this is lower than the Standard Method (6,750 dpa) it is still some way in excess of most of the projections in this report. Therefore, a second scenario (scenario 2) was developed for plan-making purposes. This was a 'Demographic Assessment' only projection with the following core assumptions:
- Base population in 2020 from the latest mid-year population estimates;

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- Assumptions about birth and death rates plus migration as in the 2018-SNPP (alternative internal migration variant);
  - HRRs from the 2014-based SNHP with adjustment; and
  - A further adjustment to the HRRs to bring the number of households in 2020 in-line with an estimate based on adding net completions to the number of households in 2011.

**1.29** The demographic assessment (Scenario 2) suggests household growth of 4,200 per annum. This equates to a housing need of 4,326 if a 3% vacancy allowance is included. This would result in a population growth of 122,172 over the 2020-2040 period. Because of its closer alignment to the likely level of housing which can be delivered, the remainder of the report focuses on the impact of what this level of delivery would likely entail.

**1.30** The largest increase would be in the working age population although the population aged over 65 is expected to increase by 31.7%.

#### **Labour Force Growth**

**1.31** Changes to economic activity rates are projected to be in the 60-69 age groups. With the demographic assessment (Scenario 2) there would be an estimated increase in the economically active population of around 72,700 people.

**1.32** Taking into account commuting and double-jobbing it is estimated that around 86,400 additional jobs could be supported by the changes to the resident labour supply

#### **Affordable Housing Need**

**1.33** Analysis has been undertaken to estimate the need for affordable housing in the 2020-40 period.

**1.34** The analysis is split between a need for social/affordable rented accommodation and affordable home ownership (AHO).

**1.35** When looking at rented needs, the analysis suggests a need for 5,396 affordable homes per annum. When looking at the need for AHO products, the analysis suggests a need for 1,031 homes per annum.

**1.36** It is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan housing requirement above that suggested by the Standard Method.

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- 1.37** The analysis suggests that there will be a need for both social and affordable rented housing. The analysis also suggests that there are many households in Birmingham who are being excluded from the owner-occupied sector and that a key issue in the study area is about access to capital rather than simply the cost of housing to buy.
- 1.38** The study also considers different types of AHO including First Homes as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability as it has the advantage of a lower deposit and subsidised rent.
- 1.39** In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues.
- 1.40** Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area.
- 1.41** It does however need to be stressed that this report does not provide an affordable housing target.
- 1.42** The amount of affordable housing delivered will be limited to the amount that can viably be provided. However, the evidence suggest that affordable housing delivery should be maximised.

### **Housing Mix**

- 1.43** The proportion of households with dependent children in Birmingham is higher than the regional (30.2%) and national (29.1%) figures with around 34% of all households containing dependent children in 2011.
- 1.44** There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability.
- 1.45** The analysis linked to long-term change in the demographic scenario (2020-40) and taking account of household survey data and information from the Housing Register concludes that the following represents an appropriate mix of affordable and market homes.

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**TABLE 1.1 AFFORDABLE AND MARKET HOUSING MIX**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	35%	40%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	20%	35%	25%	20%

- 1.46** The analysis also models for there to be a modest decrease in levels of under-occupancy (which are particularly high in the market sector).
- 1.47** The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households and limited flexibility which 1-bed properties offer to changing household circumstances.
- 1.48** The mix identified above could inform strategic policies although a flexible approach should be adopted. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level.
- 1.49** Analysis also suggests a mix between houses and flats (although survey data did highlight a preference for houses), although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development).
- 1.50** Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties addressing demand from newly forming households and older households downsizing.

**Private Rental Sector - Build to Rent and Co-Living**

- 1.51** The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households.
- 1.52** Across the City PRS has also grown strongly and plays an important and wide ranging role in supporting a range of households across the spectrum from the highly skilled to benefit claimants.
- 1.53** Those in PRS are typically in their 20's and 30's and there is also a high proportion of young children although the largest household group is young single households.



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- 1.54** There are gaps between private lower quartile rents and LHA rates in the City and for smaller (1/2 bed) and larger (4+ beds) properties, this suggests challenges for those on lower incomes and their ability access the private rental market.
- 1.55** Our analysis of affordable housing need suggests little difference in affordability terms between home ownership and private renting. Therefore, PRS is likely to be a choice for some, while for others a stop gap until they can afford a deposit for home ownership.
- 1.56** There are around 6,300 identified HMOs in the City with the greatest numbers located within Selly Oak (41%) and Edgbaston (13%) although this is likely to be an underestimate. The Council have sought to limit the proliferation of HMOs through a City-Wide Article 4 direction (which restricts permitted development in this case from housing to small HMOs). Although the proliferation of HMOs was the primary reason for introducing the direction, there was also a need to safeguard housing to cater for the increasing number of families in the city.
- 1.57** The Council have also adopted new policy (DM11 within the Development Management in Birmingham DPD) that sets specific criteria for circumstances when HMOs would and wouldn't be considered to be acceptable. The housing need for those who would ordinarily occupy HMOs (which are typically single people and couples) can be addressed through further growth in built to let and/or co-living.
- 1.58** Given the benefits of Build to Rent (BTR) development, including more secure tenancies, the provision of affordable rented housing etc., it is considered appropriate that the Council recognise the role of BTR development and develop a policy supporting it which specifies the types of locations where such development is encouraged.
- 1.59** In the context of co-living housing, the Council should develop a specific policy which supports this form of housing). Drawing on the policy frameworks on co-living development by the London Plan, the Council should construct a policy which supports high-quality co-living schemes where certain criteria are met.
- 1.60** Both BTR and Co-living are expected to be in the Central sub-area based on the demographics of those areas. These areas are also well connected to local services and transport, this would also support the night-time economy.
- 1.61** Among other things, the policy could expect that schemes would be under single management and offer rent with a minimum tenancy of no less than 3 months as well as align with local policies and space standards.

### **Self-Build and Custom-Build**

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- 1.62** Since the introduction of the Council's self-build register on 1<sup>st</sup> April 2016 to the end of the fifth base period, there have been a total of 144 individuals entered onto the Council's Register.
- 1.63** Setting this in context, this translates into demand from 35 persons per 100,000 of the population in Birmingham which places the City in the bottom third of authorities in England.
- 1.64** Nevertheless, there is clearly demand which has to be addressed and self and custom build housing has a role to play in meeting housing needs.
- 1.65** The Council has explicitly supported opportunities for self-build and custom build homes for a number of years. The Council should continue to support these opportunities and their adopted Development Management DPD sets out an appropriate policy basis for this.

### **Older Persons & those with Disabilities**

- 1.66** The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2020-40 period include:
- A 32% increase in the population aged 65+ (potentially accounting for 39% of total population growth);
  - A 35% increase in the number of people aged 65+ with dementia and a 33% increase in those aged 65+ with mobility problems;
  - A need for around 1,600 housing units with support (sheltered/retirement housing) – split between market and affordable housing over the plan period;
  - A need for around 2,600 additional housing units with care (e.g., extra-care) – focussed on the affordable sector over the plan period;
  - A need for additional residential and nursing care bedspaces; and
  - A need for around 8,300 dwellings to be for wheelchair users (meeting technical standard M4(3)).
- 1.67** This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing.
- 1.68** The need for accommodation with care (e.g. extra care) should be treated as a minimum as this type of housing will help reduce pressure on more cash and care intensive forms of accommodation (e.g. care homes) by allowing people to live in appropriate accommodation for longer.

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- 1.69** Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) where it is possible to do so and 10%-15% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).

### **Other Specific Groups**

- 1.70** We have sought to identify the demand for additional purpose built student accommodation (PBSA) based on the growth aspirations of the Universities. This did not identify any significant growth at the Universities that is not being met with an increase in accommodation.
- 1.71** However, there is still a role for additional PBSA in releasing HMO properties for other groups including families. Any applications for such housing types should be welcomed but it should be supported by the appropriate evidence (including a demonstration of no or very low vacancy rates in existing stock, increasing rents and known growth in student numbers and that the developer has an agreement with a university to place students in such accommodation) and be in suitable locations.
- 1.72** The latest evidence in relation to the housing needs of Gypsies and Travellers identified a need for 19 additional pitches over the GTAA period to 2033. On a pro-rate basis this need would increase to 26 pitches over the 19 year period to 2040 and 33 pitches over the 24 years to 2045.
- 1.73** There is a notable service (or ex-service) personnel in the City. The Councils have a duty to ensure such households are not disadvantaged when seeking affordable housing. The Councils may also wish to consider prioritising this group for First Homes.

### **Economic Baseline**

- 1.74** There are approximately 45,700 enterprises in the City and 588,200 jobs. In the period between 2001 and 2019, jobs increased by 67,200. In percentage terms the growth in Birmingham (12.9%) has been slower than the West Midlands region (16.2%) and the whole UK (18.3%).
- 1.75** Birmingham has a relatively high percentage of jobs within among other financial & insurance, legal and accounting sectors which are particularly important to the city's economy.

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- 1.76** In 2021 the value of the Birmingham Economy was around £28 Billion. The economy in the City has grown by around 26% since 2001 which is slightly faster than the wider West Midlands (25%) but below the national growth (29%).
- 1.77** GVA per job is higher in Birmingham than in the West Midlands region indicating that Birmingham acts as an economic centre for the region. This is perhaps not unexpected given the level of high value manufacturing and other financial services which tend to add greater value.
- 1.78** Manufacturing is also important to the local economy as it is to the whole region. It contributes around £3.1 billion to the local economy and supports around 32,000 jobs.
- 1.79** Across the City the clear majority of businesses employ between 0 and 4 people. This would indicate a level of entrepreneurship in the City.
- 1.80** The sub areas with the highest number of businesses overall are Sutton Coldfield and Edgbaston. Edgbaston is also home to the highest number of businesses employing over 250 people.
- 1.81** However, the population within Birmingham is less economically active and has a considerably lower employment rate than the wider comparators.
- 1.82** Approximately 9% of working age population in the City have no qualifications which is significantly higher than the national picture (6%). As a result, the City has a low number of people working in the higher end occupations.
- 1.83** The percentage of population aged 16-64 qualified to at least NVQ4 (degree level) in Birmingham is 38% which is substantially below the national figure of 43%. This will in part be linked to students staying on in the City after qualifying.
- 1.84** Median workplace based earnings in the City are around £602 per week while residence based earnings are lower (£548 per week). This demonstrates that many of the higher paid jobs are going to those that commute from outside of the City.
- 1.85** While other geographies have begun their post pandemic recovery, the number of claimants in Birmingham has increased by 1.9% over the last year.
- 1.86** The Office of Budget Responsibility's predicts a rise in unemployment to 6.5% at the end of 2021 nationally.

### **Business Survey**

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- 1.87** As part of the study a survey of local businesses also took place. The profile covered a range of businesses from companies with less than 9 employees and a turnover of £99,000 to those averaging over £10m each year.
- 1.88** Businesses who performed well throughout the pandemic (e-commerce and digital services) were more positive on growth (business and employees) outlook than those who had had difficulties (restaurants and hotels).
- 1.89** 75% of businesses reported their existing premises as meeting their current needs, 11% reported that their premises did not meet their needs and they were looking to relocate.
- 1.90** Despite this, 58% businesses reported wanting larger premises, with only 3% reporting that less space was desired.

### **Business Engagement**

- 1.91** Engagement has been undertaken with a series of stakeholders in order to inform considerations of the economic outlook for the city. This identified the following:
- **Manufacturing:** very strong links into JLR and other automotive manufacturers driving a wider supply chain of businesses. There is perhaps some uncertainty in the sector and the impact of Covid/Brexit has been adverse. However, there are positive moves into electric vehicles which have the potential to attract inward investment.
  - **Low carbon technologies** area focus for growth, spanning a range of industries as the city and country commits further to net zero ambition there will be a renewed employment creating emphasis and opportunity.
  - **Financial and professional services:** Birmingham has become a key centre in recent years with occupations from Goldman Sachs and HSBC. Activities have increasingly focused on high end financial services and away from call centres; this aligns with the wider levelling up agenda.
  - **Life sciences and medical devices** has a recognised cluster around Edgbaston / Birmingham University and connected into the QE Hospital that is expected to continue to develop. There is reported huge demand on the sector both in development and as a sector to invest in.
  - **Technology and digital** is a strong sector for Birmingham and has had success in attracting business and investment. Digbeth in particular has developed a reputation as a gaming cluster.
  - **Cultural** industries have been adversely affected by the Covid-19 pandemic. The 2022 Commonwealth Games in Birmingham provides an opportunity to drive a cultural recovery. The Games should also bring further life back to the **hospitality** sector.

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- **Construction** employment is expected to be important given huge physical regeneration schemes and challenging housebuilding targets.

**1.92** There are a number of major **office** developments now coming on stream. There is good high quality accommodation on the market and some concern that there is a shortage for the next wave of high spec accommodation.

**1.93** **Industrial** land requirements result from manufacturing requirements including inward investment which tend to be quite large firms looking for larger sites, and purpose built facilities. Conversely the city has a lot of older industrial space that is in some instances not fit for purpose.

**1.94** **Logistics** demand is strong both for serving the inner City and at motor junctions in particular.

### **Office Market Assessment**

**1.95** The UK office market has recovered relatively well from the Covid-19 pandemic. Whilst property market agents have observed and predict a serious return to office use, they also predict continually high levels of home working and flexible working.

**1.96** However, this shift towards lower office attendance may be counteracted by more generous employment densities (i.e. more space per employee). Overall, the future of office demand is uncertain.

**1.97** The amount of office floorspace in Birmingham has declined over the last 6 years. This occurred at a lower rate than some key regional cities but at a higher rate than some others.

**1.98** Agent engagement revealed that demand for office space in Birmingham is strong and there is no risk of oversupply. Demand may continue due to regionalisation of businesses, HS2 and pent up demand.

**1.99** Birmingham's office market is not particularly constrained or oversupplied. This is due to the fact that recent delivery rates have been strong and demand high.

**1.100** Agent engagement revealed that large office lets (100,000+ sq. ft) are common in Birmingham. These often represent significant inward investment and are set to continue.

**1.101** There is also demand for smaller high-quality space whilst the amenities and surrounding area a building has to offer are also becoming more important.

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- 1.102** Availability suggests that the market for small offices (<100 sqm) is very constrained whilst the market for 2,000+ sqm is also somewhat constrained.
- 1.103** Flexible and/or serviced office space is also an increasing/high demand which is important considering the amount of space currently being let to serviced office operators.
- 1.104** Over 80% of leasing activity in Birmingham occurs within central areas (of which 42% is in the 'City Core'. Mid-sized floorspace (500-5,000 sqm) leasing is most focused in the City Core.
- 1.105** The 'Outer Central Ring' has a particularly high percentage of large (5,000+ sqm floorspace) whilst Outer Birmingham has an extremely low percentage of this.
- 1.106** Availability in Outer Birmingham suggest that the office market is somewhat constrained. Some central areas (Gun Quarter and New Street Station) are also relatively constrained.

### **Industrial Market Assessment**

- 1.107** Growth of the UK logistics sector is driving demand for more Storage and Distribution space of all sizes with take-up exceeding all-time highs.
- 1.108** The total industrial floorspace in Birmingham has decreased slightly over the last 10 years (more so over the last 6 years) unlike across the West Midlands and the UK which have both seen growth.
- 1.109** Market signals data suggests that Birmingham's industrial market is undersupplied. Demand has been consistently strong in the last 5 years and delivery rates have not kept up (particularly in the last 2 years) leading to declining and hence very low vacancy rates.
- 1.110** Availability rates are very low across all size bands indicating demand for various sizes of industrial property. However, in the last 2 years, a significantly higher percentage of floorspace leased is floorspace of over 10,000 sqm, compared to over the last 10 years reflecting the rise of logistics and large warehousing units.
- 1.111** It is likely that delivery needs to be accelerated to keep up with strong levels of demand and to support employment growth and economic prosperity ambitions.

### **Economic Forecasts**

- 1.112** At present there are around 576,800 jobs in the City. The baseline scenario sees employment growth of 43,700 jobs between 2020 and 2040. The Growth scenario (which takes into account known investment activity) would almost double at 82,200 jobs.

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- 1.113** This compares to the demographic assessment (Scenario 2) labour supply which would support up to 86,400 jobs. Given that the aspirational labour demand scenario broadly parallels the labour supply range, an alternative labour supply driven scenario has not been developed.
- 1.114** The Baseline forecast is that employment in Birmingham will return to and exceed pre-pandemic (2019) levels in 2025. But the growth scenario sees a higher rate of growth with recovery by 2022.
- 1.115** Between 2020 and 2040, the percentage change in employment in the Birmingham baseline scenario is forecast to be much lower than across both the West Midlands and the UK. The growth scenario would see growth exceed the regional and national growth.
- 1.116** Between 2020 and 2040, over a third of employment growth in the baseline scenario is forecast to be in the Food and accommodation sector and a third is forecast to be in the Financial, professional and business services sector.
- 1.117** In the growth scenario, employment growth in the Financial, professional and business services sector is forecast to be even higher. The Information and Communications sector is also forecast to grow significantly and the decline of the Manufacturing sector is curtailed.

### **Employment Land Need**

- 1.118** Using the baseline and growth employment forecasts from CE, Icenl has developed a set of employment floorspace requirements. They relate to the floorspace and land required to accommodate net growth in floorspace. Provision for flexibility of supply and replacement demand is considered further in this paper.
- 1.119** The modelling converts jobs to FTE and then floorspace on local ratios. Prior to converting FTEs to floorspace, an adjustment has been made for typically homeworking. This has been developed from ONS data on homeworking based on pre-pandemic levels and a further scenario has been developed based on post pandemic levels.
- 1.120** The baseline scenario identifies a contraction in floorspace requirements of around 58,400 square metres while the growth scenario identifies a need for an additional 388,100 sq. m.
- 1.121** These have been converted to land using plot ratios and shows a contraction of 29.9 hectares and a growth of 30.4 ha respectively.
- 1.122** There are significant differences between the scenarios in all categories but most prominently in the industrial and local distribution models.



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- 1.123** A sensitivity model has been developed which reflects the very significant impact of the Covid-19 pandemic on the use of offices and enforced use of home working. This reduces future need by 30% against that of the typical office need. For the growth scenario this reduces the floorspace need to 220,360 sq. m
- 1.124** We have also examined past trends in employment floorspace completions. This shows an average net loss of office and more substantially industrial stock although there has been a gross gain in each.
- 1.125** Projecting these trends forward would result in a net loss but gross need for 1,457,920 sq. m over the 2020-2040 period.
- 1.126** The range of need from these scenarios has been considered alongside other factors such as flexibility, churn and choice and replacement demand. Drawing together this information, the overall gross need for employment space are:
- Offices – 453,900 sqm and 22.7 Ha
  - Industrial – 1,343,500 sqm and 268.7 Ha
- 1.127** The authority has also provided a broad indication of its current supply although this will require updating. When this is taken into account there is a slight shortfall in offices permissions, but a potential oversupply when all future supply is taken into account. For industrial, a shortfall of between 61.7 Ha and 86.6 Ha is calculated.

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## 2. INTRODUCTION

- 2.1 Birmingham City Council commissioned Icen Projects, together with Cambridge Econometrics (CE) and Justin Gardner Consulting (JGC) to prepare this Housing & Economic Development Needs Assessment (“HEDNA”).

### Scope of the HEDNA

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- 2.2 The Assessment is intended to provide updated evidence regarding the overall need for housing, and type and mix of housing needed; together with an assessment of the quantity and type of employment land needed to inform the update to the Local Plan. This builds on and is informed by a range of policies as set out in Appendix 1.
- 2.3 The work is intended to cover the period 2020 to 2040. In order to deal with potential delays in local plan production Appendix 3 sets out the core outputs of this work to 2042.
- 2.4 Specific key outputs of the HEDNA are:

#### Housing

- Estimate of current dwelling stock, including the of number of bedrooms, type, condition, and tenure;
- Estimate of total future number of households;
- Estimate of future households requiring market housing (including a profile of the number of bedrooms, size and type of housing required);
- Estimate of households that will require affordable housing, with this broken down to meet the following requirements:
  - Households that will require affordable housing for rent identifying between social rented and affordable rented requirements (including for affordable rented housing identifying alternative percentages where Local Housing Allowance levels may be breached), including a profile of the number of bedrooms, size and type of housing required;
  - Households that will require Shared Ownership/Shared Equity accommodation (consultant to advise on appropriate equity shares and residual rent charge on

- 
- the unsold equity by testing variant scenarios), including a profile of the number of bedrooms, size and type of housing required;
  - Households that will require discounted market sales housing (consultant to advise on appropriate level of discount by testing variant scenarios), including a profile of the number of bedrooms, size and type of housing required; and households that will require First Homes including a profile of the number of bedrooms, size and type of housing required, (consultant to advise on appropriate level of discount by testing variant scenarios)
  - Estimate of future households requiring private rented housing, including a profile of the number of bedrooms, size and type of housing required; and
  - Estimate of the household size, tenure and type of housing required by the following household groups as identified in paragraph 4.10 who have particular housing requirements (split into market and the different types of affordable housing for each group)
  - Breakdown of housing need by type, size, tenure and different groups for submarkets within the city; and
  - Recommend and justify a definition of affordability across all tenures.

### Economic

- Definition of the Functional Economic Market Area [FEMA] that Birmingham sits within;
- Policy overview of the national, regional and local policy context affecting economic growth and employment land issues;
- Baseline assessment of the economic performance and characteristics of the city within the region; and the local and regional economic dynamics
- A quantitative and qualitative analysis of the supply of and demand for employment space, and the dynamics of the commercial property;
- Forecast of future needs – generation of a range of scenarios for future economic growth/ employment growth in Birmingham (identified by econometric forecasts), including scenarios aligned with the housing need identified;
- Analysis of the key economic sectors with the greatest potential for growth;

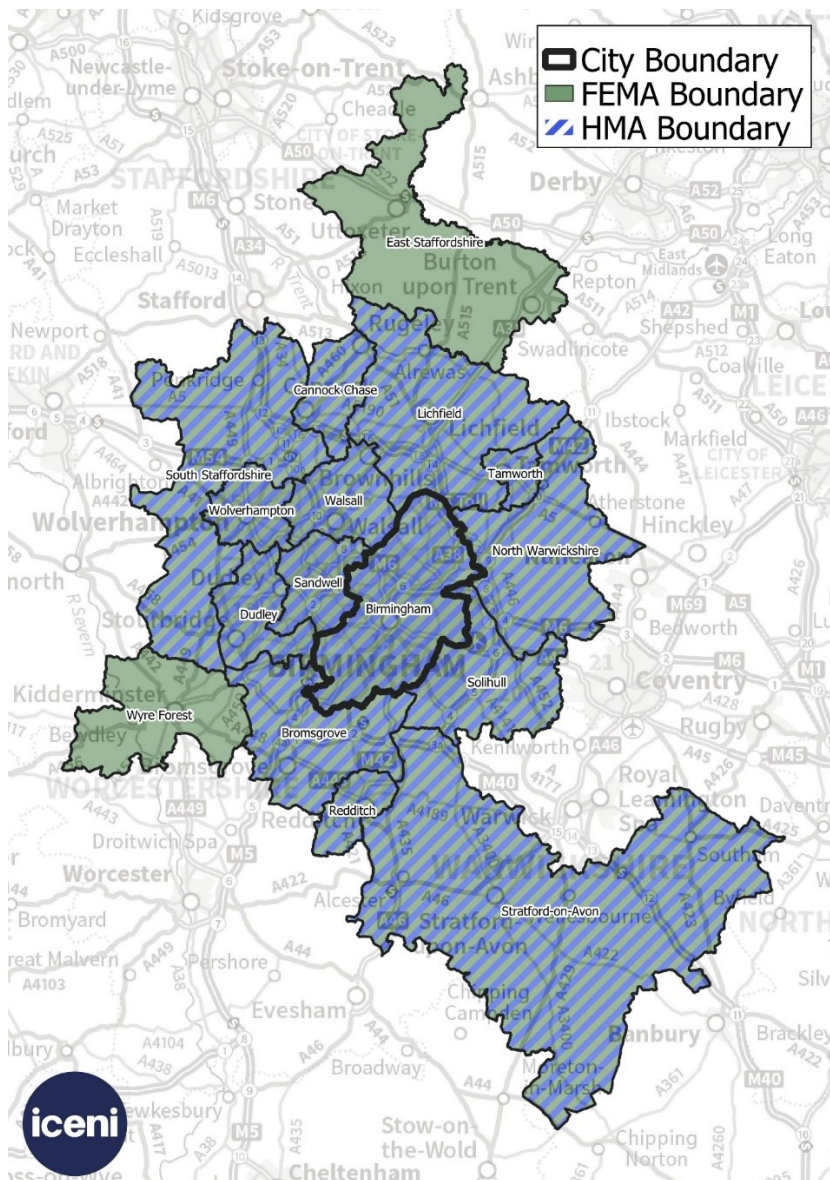
- 
- Identification of future employment land needed to support the level of employment growth, including opportunities for networking and clustering of economic sectors; and
  - Consideration of the potential impacts of Brexit, Covid-19, HS2 and other factors that may have a major impact on Birmingham's economic prospects and growth.

**2.5** This report is accompanied by two stand-alone appendices which include a policy review and a review of the functional geographies of the city. The latter confirms that the City's Housing Market Area (HMA) includes Cannock Chase; Lichfield; South Staffordshire; Tamworth; North Warwickshire; Stratford-on-Avon; Bromsgrove; Redditch; Birmingham; Dudley; Sandwell; Solihull; Walsall and Wolverhampton,

**2.6** The appendix also confirms the City's Functional Economic Market Area (FEMA) consisting of the Greater Birmingham and Solihull LEP (Birmingham, Bromsgrove, Cannock Chase, East Staffs, Lichfield, Redditch, Solihull, Tamworth and Wyre Forest) and Black Country LEP (Dudley, Sandwell, Walsall and Wolverhampton) as well as North Warwickshire and Stratford-on-Avon. There is also a case to be made for South Staffordshire to be included in this definition due to its close links to the Black Country.

**2.7** The extent of the FEMA and HMA boundaries are shown below.

**TABLE 2.1 HMA AND FEMA BOUNDARY**



Source: IcenI Projects, 2021

- 2.8** As shown the HMA and FEMA Boundaries differ on the basis of East Staffordshire and Wyre Forest being included in the LEP and not the HMA. These are included in the FEMA as they are included within the Greater Birmingham and Solihull LEP Area. Although in both cases there are likely to be overlaps with other FEMA, specifically the other Staffordshire and Worcestershire authorities respectively.
- 2.9** Finally, the report also identifies a series of broad areas and sub-areas across the city. The table below provides an alphabetical list of wards alongside the sub area and broad area that they fall within. In addition the City Centre broad and sub area has been further delineated by those areas inside and outside of the Ring Road. The City Centre is examined in more detail within Chapter 8.

**TABLE 2.1. WARDS BY SUB AREA AND BROAD AREA.**

Ward Name	Sub Area	Broad Area	Ward Name	Sub Area	Broad Area
Acocks Green	Yardley	North	Lozells	Central	Central
Allens Cross	Northfield	South	Moseley	Hall Green	South
Alum Rock	Hodge Hill	North	Nechells	Central	Central
Aston	Perry Barr	North	Newtown	Central	Central
Balsall Heath West	Central	Central	North Edgbaston	Edgbaston	South
Bartley Green	Edgbaston	South	Northfield	Northfield	South
Billesley	Selly Oak	South	Oscott	Perry Barr	North
Birchfield	Perry Barr	North	Perry Barr	Perry Barr	North
Bordesley & Highgate	Central	Central	Perry Common	Erdington	North
Bordesley Green	Central	Central	Pype Hayes	Erdington	North
Bournbrook & Selly Park	Selly Oak	South	Quinton	Edgbaston	South
Bournville & Cotteridge	Selly Oak	South	Rubery & Rednal	Northfield	South
Brandwood & King's Heath	Selly Oak	South	Shard End	Hodge Hill	North
Bromford & Hodge Hill	Hodge Hill	North	Sheldon	Yardley	North
Castle Vale	Erdington	North	Small Heath	Central	Central
Druids Heath & Monyhull	Selly Oak	South	Soho & Jewellery Quarter	Central	Central
Edgbaston	Central	Central	South Yardley	Yardley	North
Erdington	Erdington	North	Sparkbrook & Balsall Heath East	Central	Central
Frankley Great Park	Northfield	South	Sparkhill	Hall Green	South
Garretts Green	Yardley	North	Stirchley	Selly Oak	South
Glebe Farm & Tile Cross	Hodge Hill	North	Stockland Green	Erdington	North
Gravelly Hill	Erdington	North	Sutton Four Oaks	Sutton Coldfield	Sutton Coldfield
Hall Green North	Hall Green	South	Sutton Mere Green	Sutton Coldfield	Sutton Coldfield
Hall Green South	Hall Green	South	Sutton Reddicap	Sutton Coldfield	Sutton Coldfield
Handsworth	Perry Barr	North	Sutton Roughley	Sutton Coldfield	Sutton Coldfield
Handsworth Wood	Perry Barr	North	Sutton Trinity	Sutton Coldfield	Sutton Coldfield
Harborne	Edgbaston	South	Sutton Vesey	Sutton Coldfield	Sutton Coldfield
Heartlands	Hodge Hill	North	Sutton Walmley & Minworth	Sutton Coldfield	Sutton Coldfield
Highter's Heath	Selly Oak	South	Sutton Wylde Green	Sutton Coldfield	Sutton Coldfield
Holyhead	Perry Barr	North	Tyseley & Hay Mills	Yardley	North
King's Norton North	Northfield	South	Ward End	Hodge Hill	North
King's Norton South	Northfield	South	Weoley & Selly Oak	Northfield	South
Kingstanding	Erdington	North	Yardley East	Yardley	North
Ladywood	Central	Central	Yardley West & Stechford	Yardley	North
Longbridge & West Heath	Northfield	South			

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**2.10** Where data is available the analysis will be provided at a sub area level and aggregated to a broad area level.

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### 3. HOUSING STOCK

3.1 As of 2011 there were around 423,633 dwellings in Birmingham which is around 18% of the West Midlands housing stock. According to ONS data since that time the city has delivered approximately 21,600 (2020) additional dwellings taking the total number of dwellings to 445,247. Not all of these dwellings are occupied as in 2011 there were only 410,783 households in the City. This is estimated to have increased to 426,334 by 2021. This equates to a 5.3% vacancy rate.

Area	Number of Dwellings	Number of Households
Birmingham	423,633	410,736
Birmingham HMA	1,309,034	1,266,871
West Midlands	2,376,728	2,294,909
England	22,976,066	22,063,368



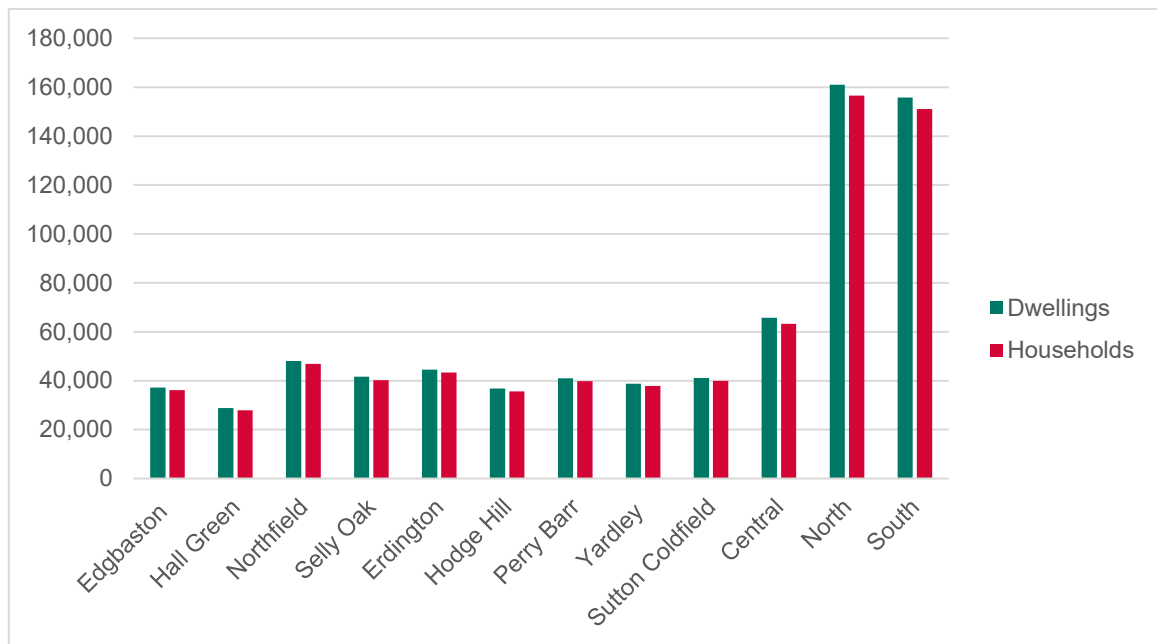
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**TABLE 3.1. NUMBER OF DWELLINGS AND HOUSEHOLDS (2011)**

*Source: ONS, Census 2011*

- 3.2** The North broad area has a higher number of dwellings at 161,029. The largest sub area is in Central sub-area with 65,704 dwellings, followed by the Northfield sub area (48,042 dwellings). The smallest sub-area is Hall Green with just 28,878.

**TABLE 3.1. NUMBER OF DWELLINGS AND HOUSEHOLDS BY SUB-AREAS AND BROAD AREAS (2011)**



Source: ONS, Census 2011 (the last four entries are broad areas the others are sub areas)

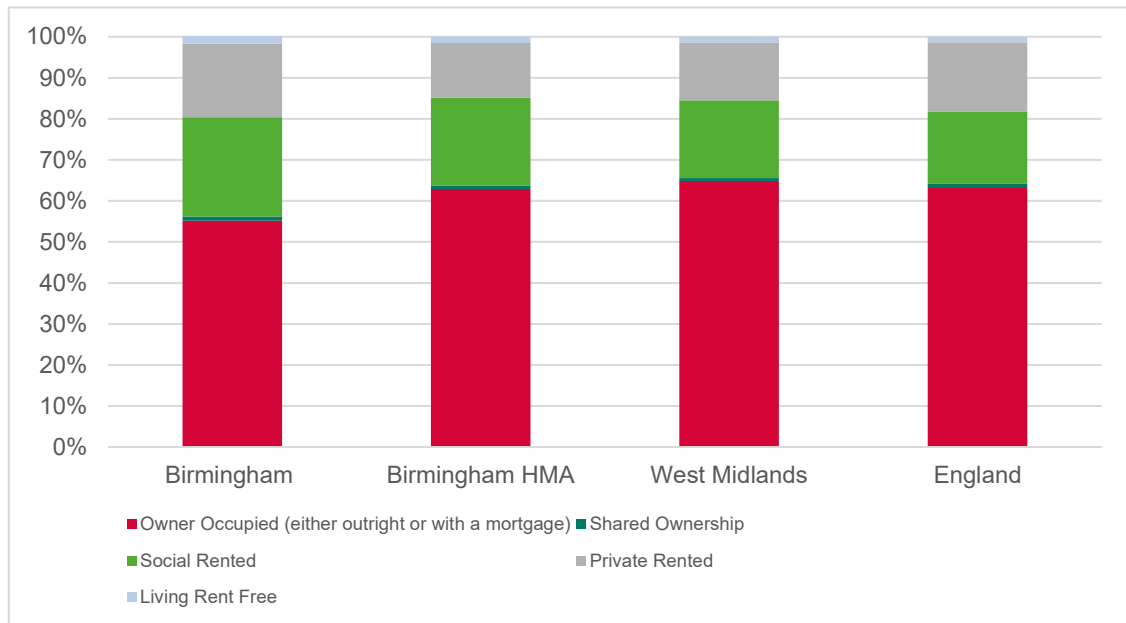
**3.3** As of 2011, around 97% of all dwellings in the City were occupied, however this varies across the City. The occupation rate is as low as 96.2% in the Central Broad Area and peaks at 97.9% in Yardley.

### Tenure

**3.4** While owner occupied is the most prevalent tenure type in all four geographies, Birmingham has the lowest rate of owner occupation at 55% compared to the Birmingham HMA and England proportions of 63% for both.

**3.5** This smaller proportion of owner occupation is offset by a larger proportion of social rental (affordable and social) in the City with 24% of all homes coming under this tenure compared to England's 18%. As of 2011, there was also a slightly higher rate of private rented at 18% compared to England's 17% and the West Midlands region 14%. The private rental sector is quite diverse and includes institutional build to rent, buy to let and HMOs.

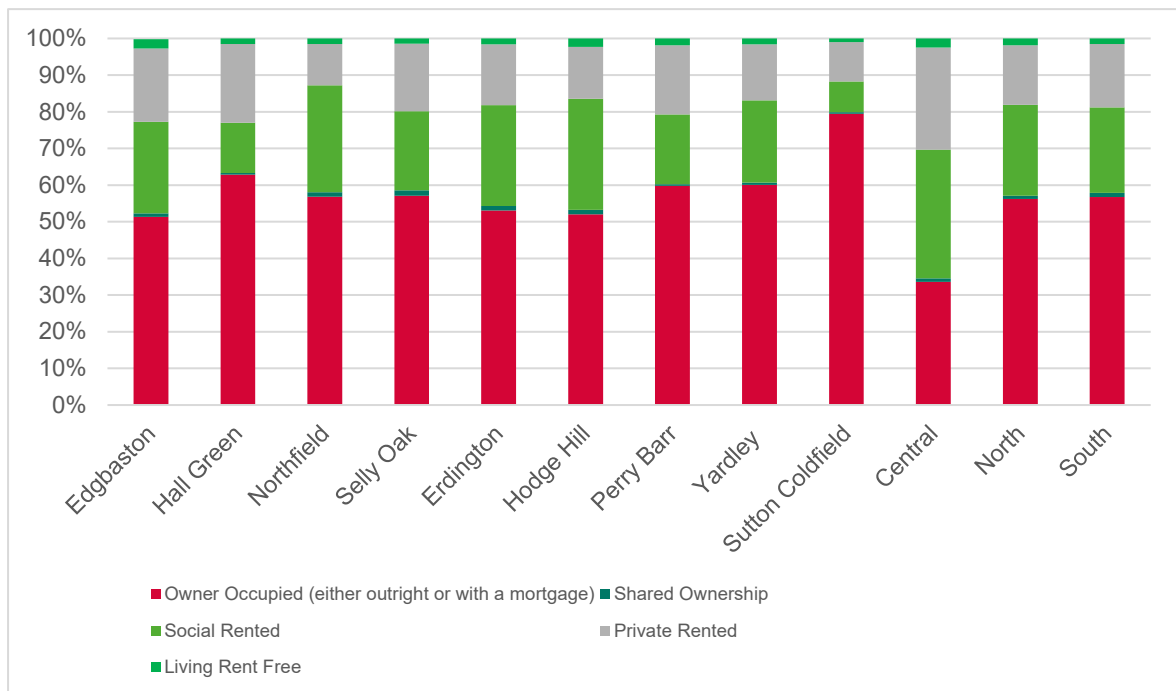
**TABLE 3.2. HOUSEHOLD BY TENURE (2011)**



Source: ONS, Census 2011

- 3.6** At a broad and sub area level the highest rate of owner occupation is in Sutton Coldfield with the lowest in the Central area. In contrast, the Central sub-area has the highest percentage of social and private rent in the City. The area includes inner city areas such as Nechells, Newtown, Soho, Ladywood, Balsall Heath West which contain large amounts of council housing stock. The north and south sub-areas have broadly comparable tenure splits.
- 3.7** All other sub areas have at least a 50% proportion of owner occupiers, with social renting taking the second highest proportion in all areas bar Sutton Coldfield and Hall Green. Other tenure types, Living rent free and Shared ownership, do not account for more than 2% of households in any of the sub areas.

**TABLE 3.1. HOUSEHOLD BY TENURE IN SUB/BROAD AREAS AND BIRMINGHAM (2011)**



Source: ONS, Census 2011 (the last four entries are broad areas the others are sub areas)

- 3.8** Sutton Coldfield has the highest proportion of owner occupiers at 79% which is 24% higher than Birmingham’s overall owner occupier rate of 55%, it also has the lowest proportion of social renters at 8%.
- 3.9** Data from ONS allows us to track tenure movements since 2011. As shown in the table below, local authority and other public sector housing stock have seen the largest losses of 3,962 (-6.13%) and 1,089 (-100%) dwelling respectively.
- 3.10** This loss is likely due to loss of properties to private ownership through right-to-buy and potentially to registered providers through stock transfer. As shown, Registered Providers and Private Sector stock has increased by 28.81% and 4.75% respectively.

**TABLE 3.1. CHANGE IN TENURE (2011-2020)**

Birmingham	Local Authority (incl. owned by other LAs)	Registered Providers	Other public sector	Private Sector	Total
2011	64,635	40,337	1,089	317,572	423,633
2020	60,673	51,959	0	332,644	445,276
<b>Change</b>	-3,962	11,622	-1,089	15,072	21,643
<b>% Change</b>	-6.13%	28.81%	-100%	4.75%	5.11%

Source: ONS, Table 100 Dwelling stock: Number of Dwellings by Tenure; 2020

**3.11** Experimental ONS data allows us to look at the split in private sector housing i.e. owned with a mortgage or privately rented and how this has changed since 2011. However, this is only experimental data and ONS themselves cautions its use.

**3.12** As shown in the table below there was an increase of 4,696 privately rented properties, a change of 5.86% while owner occupied properties growth was around 2%. Properties available for social rent increased by 6.82%, this includes council and registered provider owned accommodation.

**Table 3.1 Change in private and social tenure (2012-2019):**

Birmingham	Owner Occupied (either outright or with mortgage)	Privately Rented	Socially Rented
2012	239,379	80,182	105,259
2019	244,216	84,878	112,442
<b>Change</b>	4,837	4,696	7,183
<b>% Change</b>	2.02%	5.86%	6.82%

Source: ONS, Sub-national dwelling stock by tenure estimates, 2019

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**3.13** Overall, there remains a higher number of socially rented properties in Birmingham than privately rented. There also remains a higher percentage of socially rented properties in the City than the wider region and country.

**3.14** The growth in rental accommodation demonstrates the structural shift from owner occupation to rental accommodation seen nationally. While the reason for this is myriad (affordability, lack of access to mortgage products, etc.) the intention is for this to be addressed through first homes and other affordable routes to home ownership.

### **Exempt Housing**

**3.15** Part of the shift towards social rental housing may be influenced by increasing numbers of Supported Exempt Accommodation in the City. These are properties which are owned by private landlords but are leased out to Registered Providers who then manage the properties and the tenants living within them.

**3.16** These tenants typically require supported accommodation but as this is not available therefore solutions are found through the private sector. The extent to which this trend is picked up in the data is unclear.

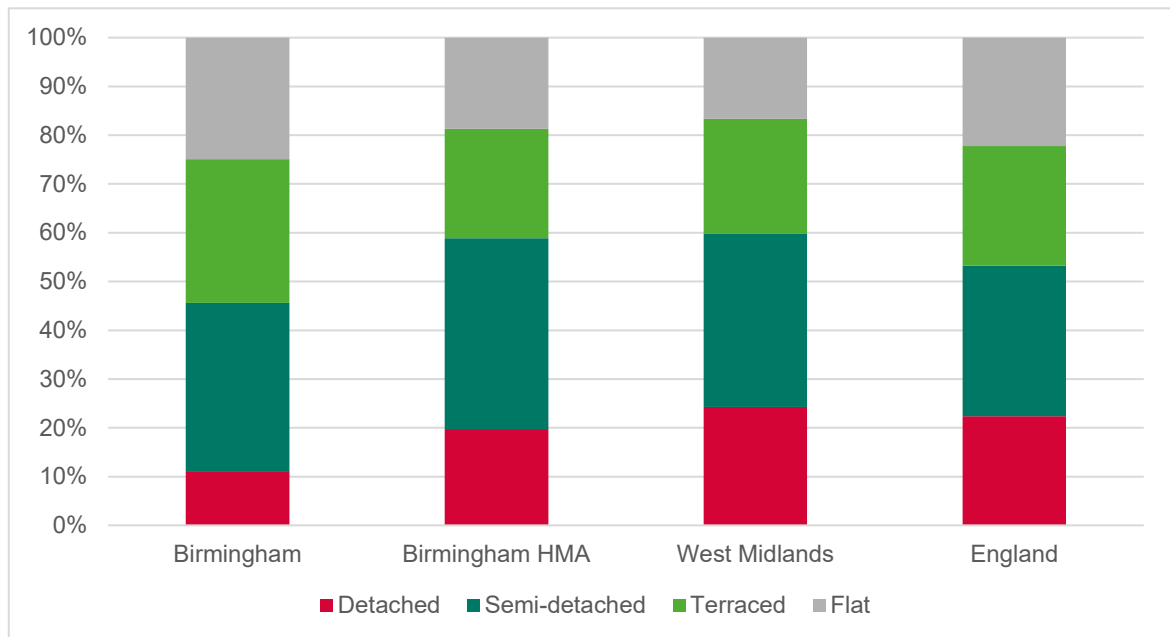
**3.17** The accommodation ranges from hotel/B&B to family homes being shared by vulnerable people. Around 20,000 units in Birmingham means there is supply for single people with support needs, but also variable standards.

### **Dwelling Type**

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**3.18** Semi-detached dwellings (34.8%) are the most common dwelling type within Birmingham while terraced housing is the second most common (29.5%). This is a slightly larger proportion of terraced housing than the other assessed areas which range from 24% in England to 22% in the Birmingham HMA and 23% in the West Midlands region.

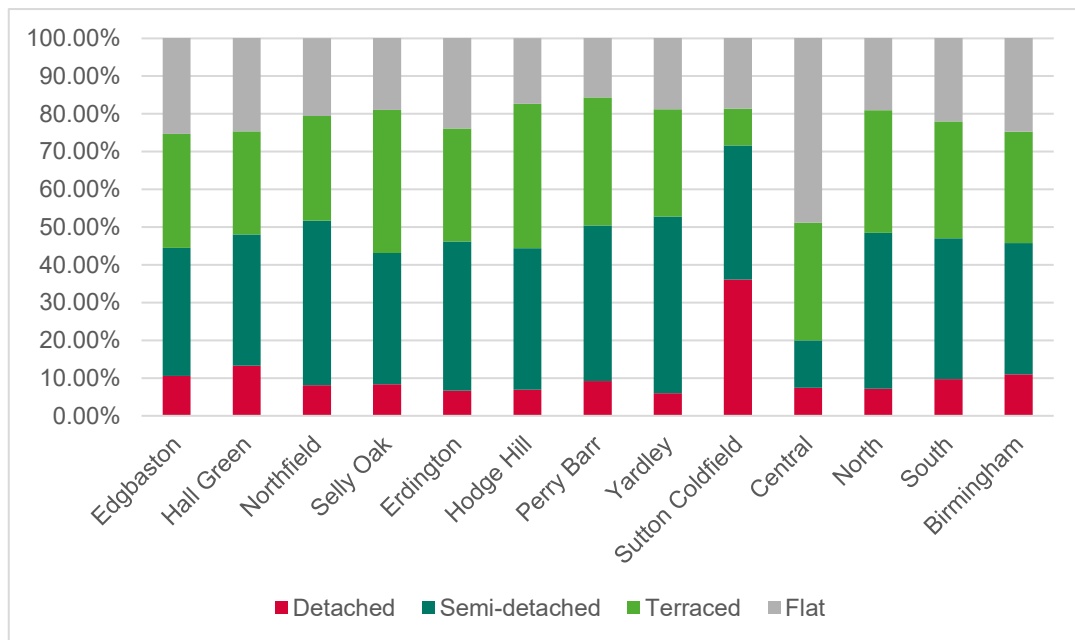
**TABLE 3.5. DWELLINGS BY TYPE (2011)**



Source: ONS, Census 2011

- 3.19** Reflecting the higher density in the city, flats and apartments also see a higher proportion (25%) in Birmingham in comparison to other geographies. Conversely there is a smaller proportion of detached (less-dense) properties at 11%, approximately half the proportion seen in the HMA (20%) West Midlands region (24%) and England (22%).
- 3.20** The North and South Broad areas see similar dwelling stock make up and follow the City wide split for Birmingham. There is a slightly lower proportion of detached dwellings in favour of semi-detached within the North when compared to the South.
- 3.21** Sutton Coldfield and the Central broad (and sub) areas have dwelling stocks which are notably different from the rest of the City. Central, has very high proportions of Flats and Terraced housing, whereas Sutton Coldfield has very low proportions of both and instead favours semi-detached and detached dwellings.
- 3.22** This is expected given the urban nature of the Central area and the suburban nature of Sutton Coldfield. Coupling this with the data with that examining tenure, Sutton Coldfield is likely to be significantly more affluent than other parts of the City.

**TABLE 3.3. DWELLINGS BY TYPE WITHIN SUB AND BROAD AREAS (2011)**

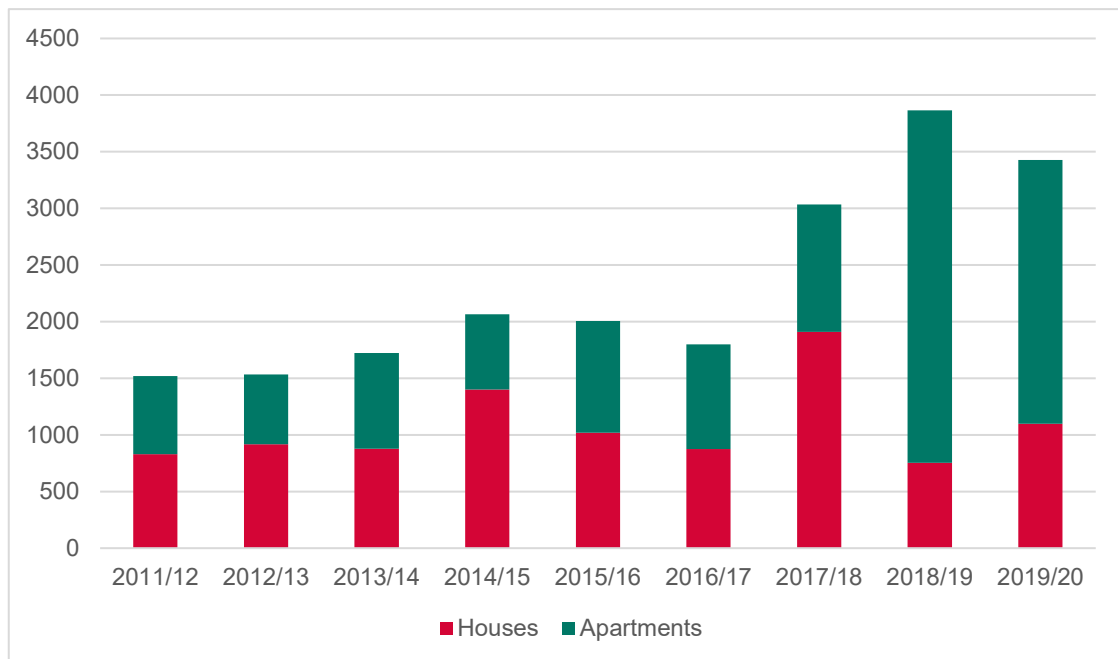


Source: ONS, Census 2011 (the last four entries are broad areas the others are sub areas)

**3.23** As shown in the table below, since 2011 and particularly since 2018/19 completions within Birmingham have focused on the delivery of flats and apartments rather than houses. This reflects where delivery has taken place with a large percentage of development taking place in the City Centre. Overall there have been 9,681 houses (46%) completed and 11,290 flats and apartments (54%).



**TABLE 3.2. COMPLETIONS BY DWELLING TYPE (GROSS)**



Source: Birmingham City Council N.B.- data excludes PBSA, HMO and conversion completions and therefore varies from ONS data

**3.24** The Council have also provided information on the completion of Shared Ownership homes in the last four years. In total there have been 448 shared ownership homes delivered in that time at an average of 90 per annum.

**3.25** Of these homes approximately 52% have been delivered through Section 106 agreements and 48% through grant funding from Homes England.

**Table 3.1 Shared Ownership Completions – Birmingham**

	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	Total
Total	132	96	72	127	21	448

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Source: BCC, 2022

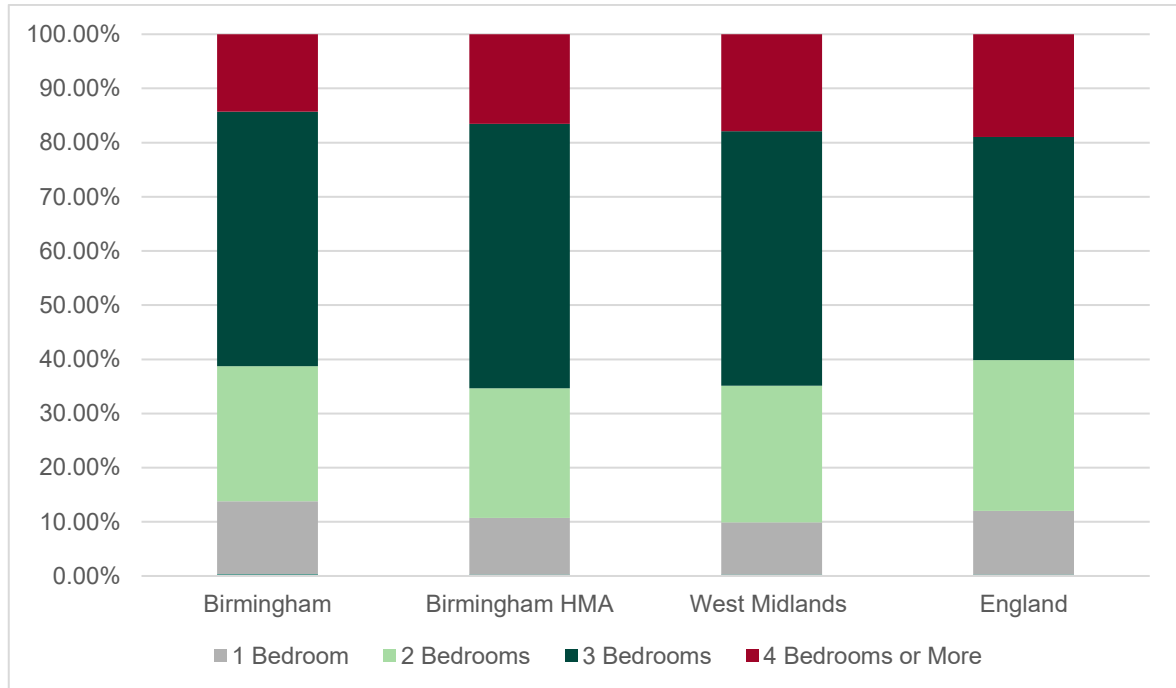
- 3.26** Of these homes approximately 52% have been delivered through Section 106 agreements and 48% through grant funding from Homes England.

### **Bedrooms**

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- 3.27** In Birmingham, as with the other comparators, the most common size of home is 3-bedroom, followed by 2-bedrooms then 4 or more bedrooms with one-bedroom homes being the least common. The City has a slightly smaller proportion of 4 bedroom plus properties than other areas and conversely a higher percentage of one bedroom homes.

**TABLE 3.8. NUMBER OF BEDROOMS (2011)**

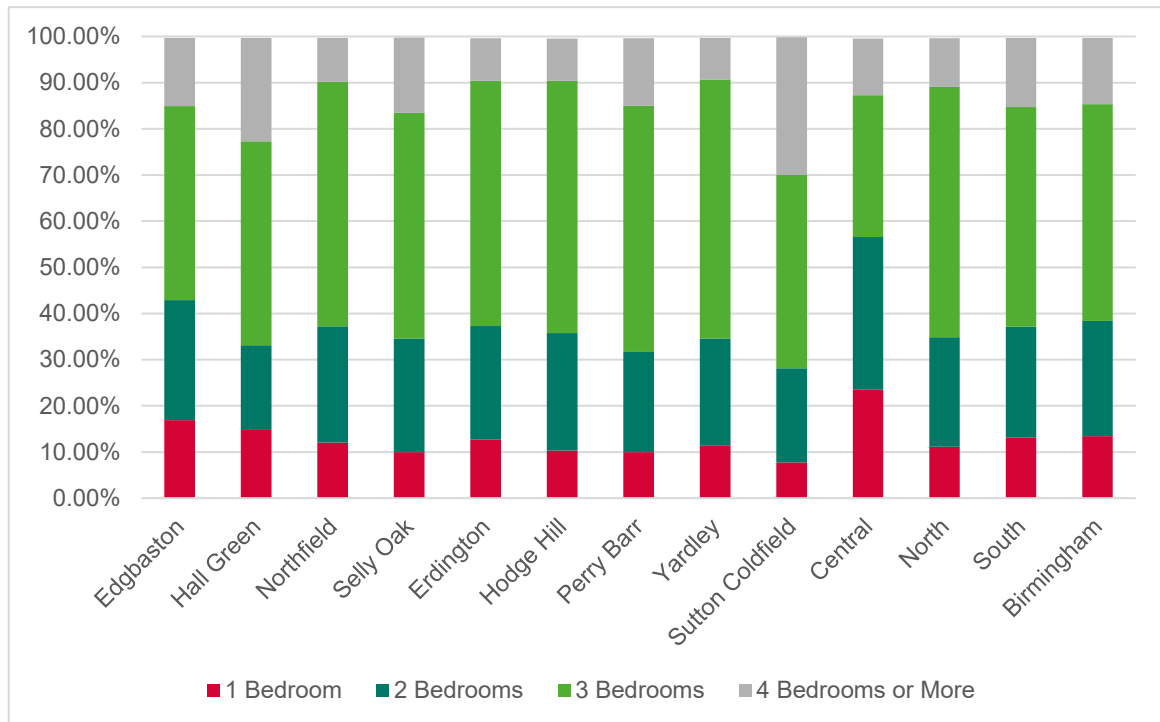


Source: ONS, Census 2011

**3.28** More pronounced differences do occur at a sub and broad area level. Once again Sutton Coldfield and Central broad areas see the more substantial differences than the other areas. Approximately 72% of the total dwelling stock in Sutton Coldfield are 3 plus bedroom properties. The Central area sees a larger proportion of 1–2-bedroom properties, which can be expected given the high proportion of flats within the area.

**3.29** Hall Green, Selly Oak and Perry Barr also sees a high number of 3 plus bedroom properties and Edgbaston has higher number of one bedroom flats.

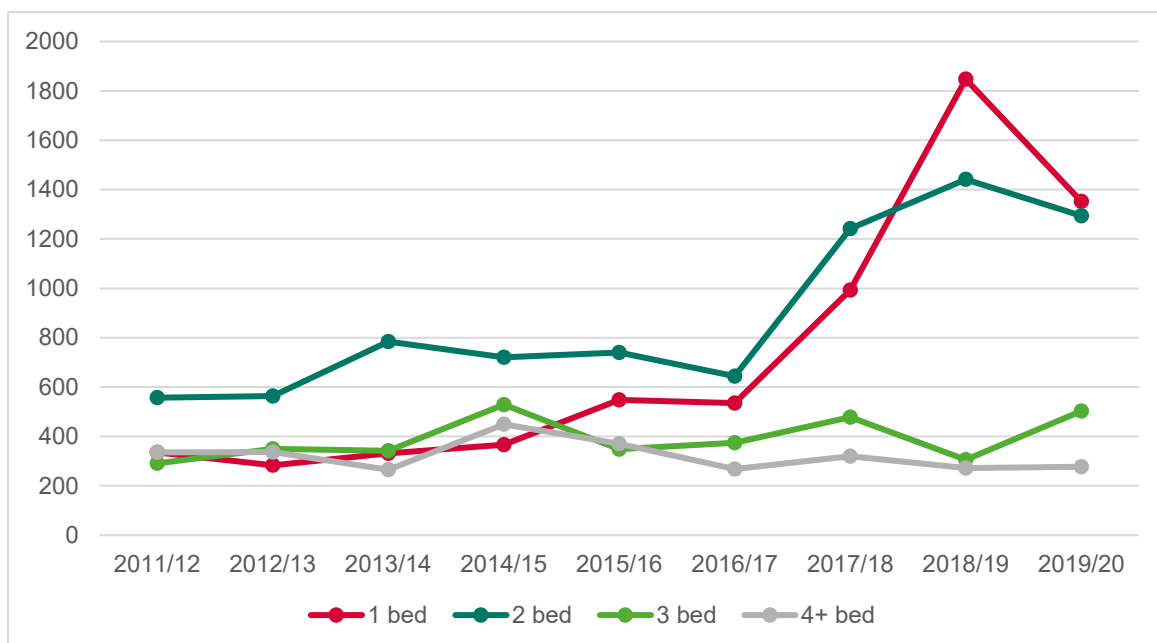
**TABLE 3.5. NUMBER OF BEDROOMS BY SUB AND BROAD AREA (2011)**



Source: ONS, Census 2011 (the last four entries are broad areas the others are sub areas)

**3.30** Since 2011 the largest number of new builds have been 2-bedroom properties (7,987 dwellings) followed by 1-bedroom (6,591 dwellings). This was particularly boosted by delivery since 2016/17. Less than 3,000 dwellings with four or more bedrooms have been built since 2011/12

**TABLE 3.2. TYPE, SIZE AND DENSITY OF NEW HOUSING – COMPLETIONS BY NUMBER OF BEDROOMS (CITY WIDE GROSS)**



Source: Birmingham City Council Monitoring Data, N.B. – table excludes student accommodation, HMO and conversion completions

### Occupancy Rating

- 3.31** Occupancy rating is assessed by the required number of bedrooms for the household occupying it, with the required number of bedrooms based on the age, sex and relationship of the members of each household. Over occupied means more bedrooms are required for the household, under occupied means that the household has more bedrooms than it requires.
- 3.32** Across all areas properties are more frequently under occupied than over-occupied or right sized. This is to do with the aging population maintaining the family home and people buying homes larger than their assessed need.
- 3.33** There is a smaller proportion of under occupied properties in Birmingham (59%) when compared to the wider areas, the highest of which being in the West Midlands (71%). This lower proportion of under occupied properties translates to larger proportions of those properties 'At Capacity' at 32% and over occupied at 9%. Within other areas the proportion of properties at capacity sits between 25% and 26% and overcrowded properties do not exceed 6%.

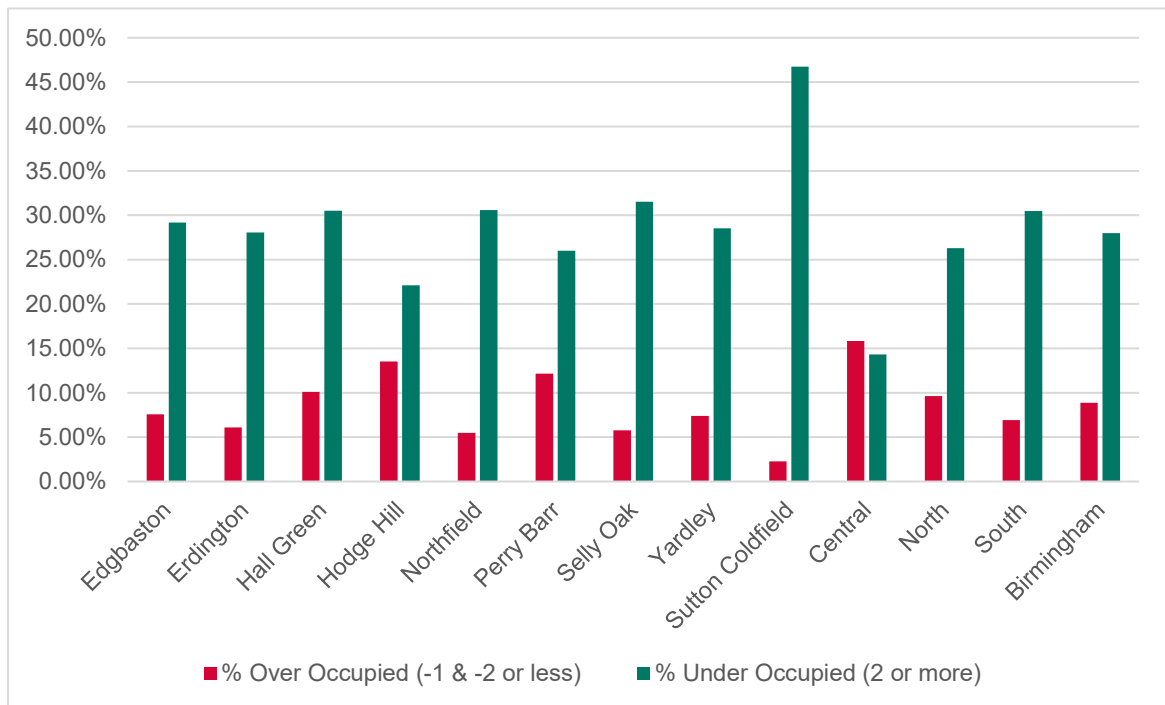
**TABLE 3.10. OCCUPANCY RATING (2011)**



Source: ONS, Census 2011

- 3.34** The higher percentage of over-occupied property can be a symptom of deprivation within certain areas where households cannot afford to move into larger properties, or as a sign of a lack of supply of larger properties and that an increased number are required. It can often be linked to migrant communities who for finance of social reasons live in over-occupied homes.
- 3.35** At a sub-area level Sutton Coldfield has the highest proportion of under occupancy (46.7%) and lowest of over occupancy (2%) again indicating an area that is more affluent than others within Birmingham. Almost all areas have higher levels of under occupancy than over occupancy except for Central in which over occupancy sits at 15.8% while under occupancy is 14%. This reflects the high proportion of smaller properties within the area and is perhaps not unexpected but not necessarily wanted.

**TABLE 3.6. OCCUPANCY RATES (BEDROOM STANDARD) – SUB AREA (2011)**



Source: ONS, Census 2011 (the last four entries are broad areas the others are sub areas)

**3.36** Over-occupancy is also notably higher in Hodge Hill (14%) and Perry Barr (12%) in comparison to the wider city (9%) this could indicate deprivation in these areas, or act as a sign of a lack of supply of larger properties. In some cases over-occupation can reflect larger percentages of multi-generational households which are more prevalent within migrant communities.

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### **Housing Stock – Key Points**

*According to ONS, between 2011 and 2020 there has been approximately 21,700 additional dwellings completed in the City taking the total number of dwellings to 445,276.*

*At 55% the majority of housing is owner occupied but this is below the national and regional averages. In contrast the City has a relatively high rate of social and private renting.*

*In 2020 there were 8,586 property sales in the City, which was a substantially reduced volume in comparison to previous years. Median house prices in the City were £192,000. This is more expensive than the wider HMA but below the West Midlands and National medians.*



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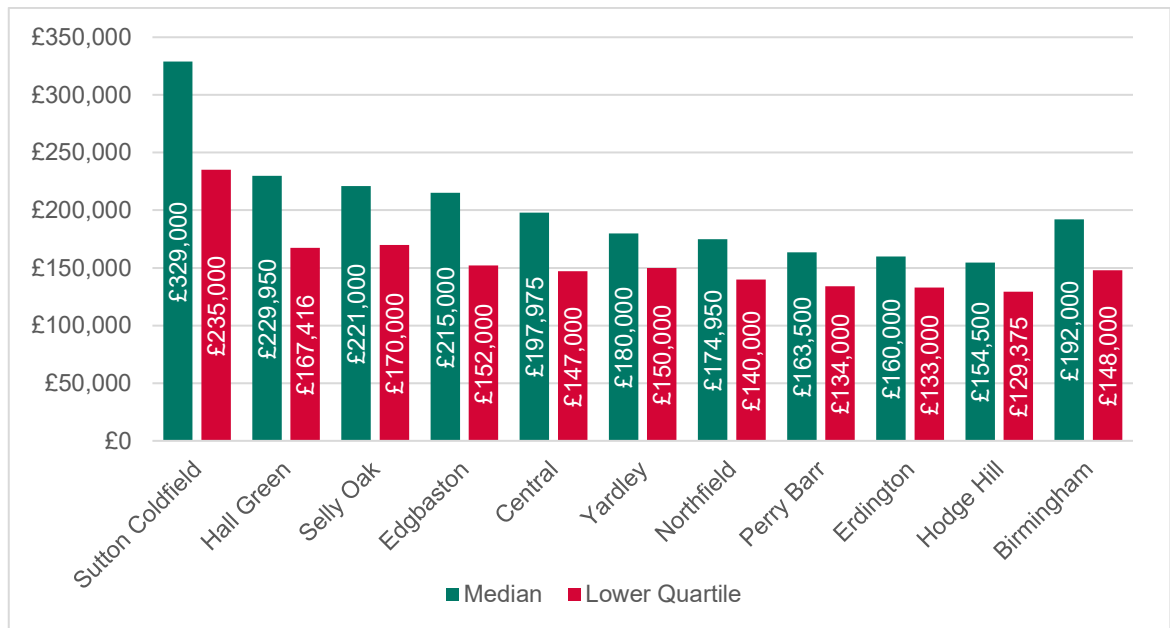
## 4. HOUSING MARKET

**4.1** This analysis can be read in conjunction with some of the house price analysis set out in the HMA and FEMA appendix and the affordable housing needs chapter.

**4.2** As of 2020 the median house price in City was £192,000 which was only slightly higher than the wider HMA (£185,000) but below the West Midlands (£200,000) and National (£249,000) median.

Perhaps expectedly, given the analysis in the previous chapter, the highest median house price is in Sutton Coldfield at £329,000. In contrast, the lowest house prices are within Hodge Hill at £154,500. The same areas also have the highest and lowest lower quartile prices.

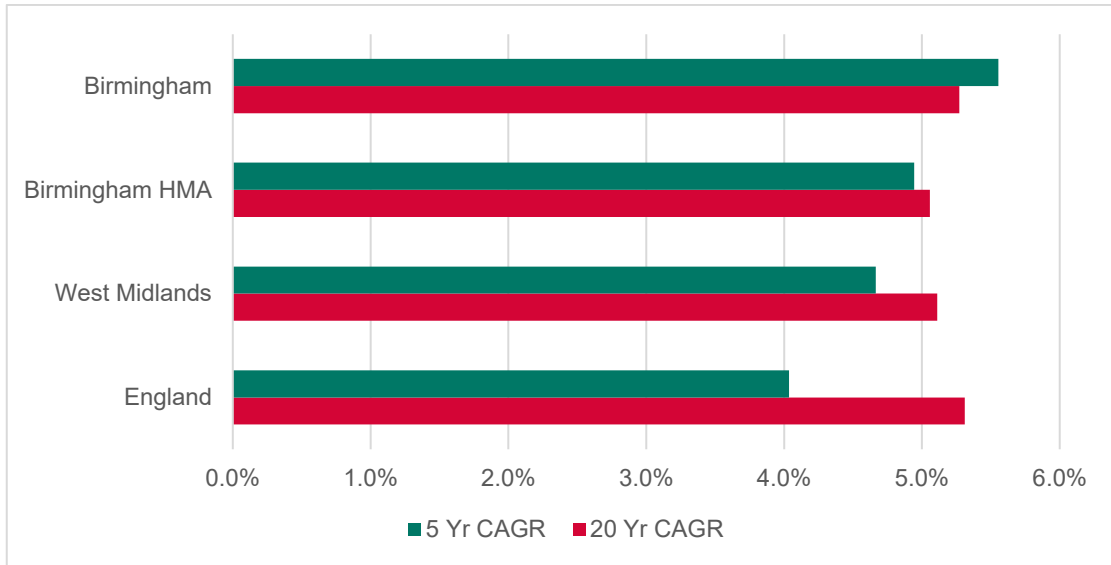
**TABLE 4.1. MEDIAN AND LOWER QUARTILE HOUSE PRICE BY SUB-AREA (2020)**



Source: ONS, Census 2011

**4.3** House price growth in the City of Birmingham has been higher than the wider HMA and Region over the last 5 and 20 year period and for the last five years notably higher than the rest of England and over 20 years has matched it.

**TABLE 4.1. HOUSE PRICE COMPOUND ANNUAL GROWTH RATE**



*Source: Derived from ONS Small Area House Price Statistics Dataset 9*

### **House Price by Type**

- 4.4** Often house prices reflect the typologies of sales with higher values in those areas with a larger percentage of detached homes and conversely lower in areas with a higher proportion of flats.
- 4.5** As shown in the table below Birmingham had a higher median value for all household types than the wider region. This is also the case when compared to the HMA with the exception of terraced homes which are more expensive than in the City.

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**TABLE 4.2. MEDIAN HOUSE PRICES BY TYPE, YEAR TO DEC 2020**

	<b>Detached</b>	<b>Semi Detached</b>	<b>Terraced</b>	<b>Flat/Maisonette</b>
<b>England</b>	£368,000	£230,000	£201,000	£220,887
<b>West Midlands</b>	£326,500	£197,000	£161,000	£125,000
<b>Birmingham HMA</b>	£335,211	£212,365	£177,212	£122,673
<b>Birmingham</b>	£390,000	£213,498	£165,000	£155,752

*Source:* Derived from ONS Small Area House Price Statistics Dataset and Price Paid Data 9

- 4.6** The Central Area has a high proportion of sales being flats but those that are sold are the most expensive in the City. The few detached sales (37) in the Central Area also achieved the highest median for that type. Somewhat, strangely, the Central area also has some of the lowest values for semi-detached and terraced homes. This might relate to the quality of this type of accommodation in the area.

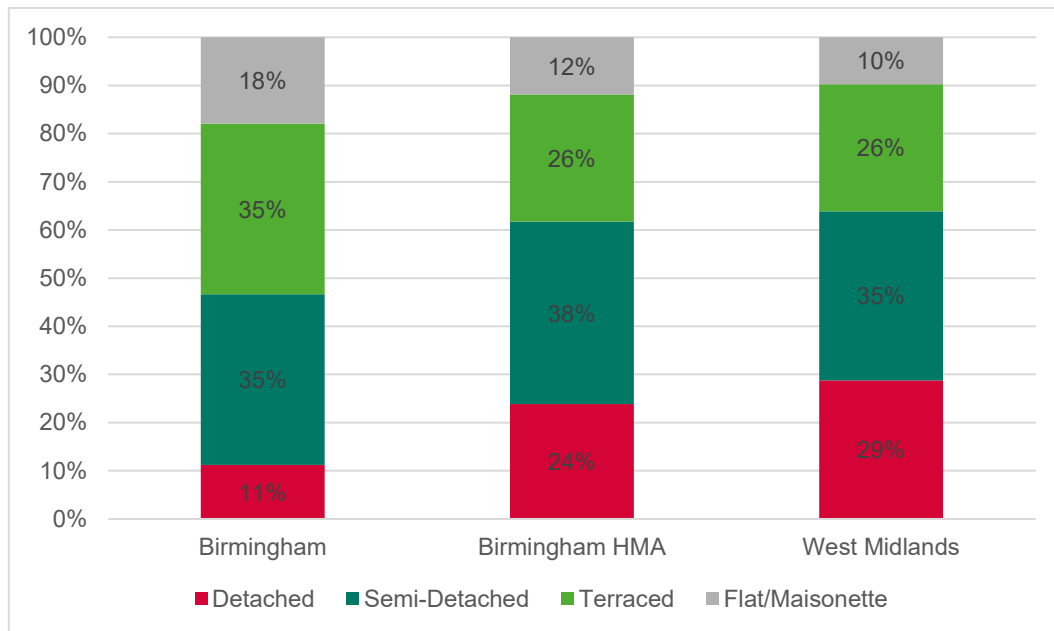
**TABLE 4.1. MEDIAN HOUSE PRICES BY TYPE AND SUB-AREA, YEAR TO DEC 2020**

Sub Area	Detached	Semi-Detached	Terraced	Flats
Central	£775,000	£180,000	£143,000	£212,000
Yardley	£261,250	£200,500	£165,000	£121,819
Hall Green	£357,500	£260,000	£205,000	£145,000
Selly Oak	£369,995	£240,000	£207,500	£122,000
Edgbaston	£375,000	£240,000	£176,500	£145,500
Perry Barr	£274,975	£175,000	£147,000	£83,000
Erdington	£245,000	£176,000	£150,000	£105,000
Sutton Coldfield	£483,000	£307,500	£248,000	£150,000
Northfield	£315,000	£193,500	£160,000	£117,250
Hodge Hill	£233,500	£175,000	£145,000	£74,375
Broad Area	Detached	Semi-Detached	Terraced	Flats
Sutton Coldfield	£483,000	£307,500	£248,000	£150,000
Central	£775,000	£180,000	£143,000	£212,000
North	£264,998	£185,000	£150,000	£110,000
South	£353,000	£225,000	£185,000	£125,000
Birmingham	£390,000	£213,498	£165,000	£155,752

Source: Derived from HMLR Price Paid Data

- 4.7** For semi-detached and terraced housing the Sutton Coldfield area achieved the highest median values in 2020. The area also has the second highest values for detached and flatted sales.
- 4.8** The sales by type in Birmingham are skewed slightly towards smaller property types (flats and terraces) when compared to that of the wider HMA and West Midlands. Only 11% of sales in the City were detached compared to 29% in the wider region. In contrast 18% of sales were of flats were as the equivalent figure for the region was 10%.

**TABLE 4.1. DISTRIBUTION OF SALES BY TYPE, YEAR TO DEC 2020**

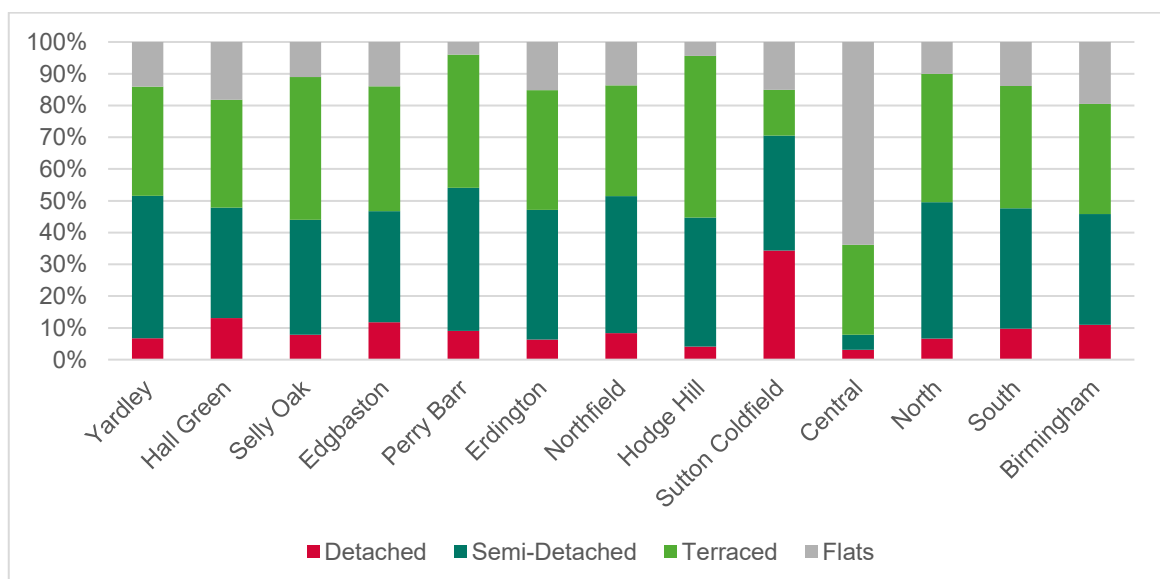


Source: Derived from ONS Small Area House Price Statistics Dataset 6

**4.9**

The figure below illustrates the mix of sales by site for each sub and broad area in the City. As illustrated, the Central sub-area has a far higher percentage of sales in flats than anywhere else. Conversely, Sutton Coldfield has a far higher percentage of detached properties. Both of these would influence the overall median for each area.

**Table 4.1 Distribution of Sales by Type and Sub- and Broad-Area, Year to Dec 2020**



Source: Derived from HMLR Price Paid Data (the last four entries (excluding Birmingham are broad areas the others are sub areas)

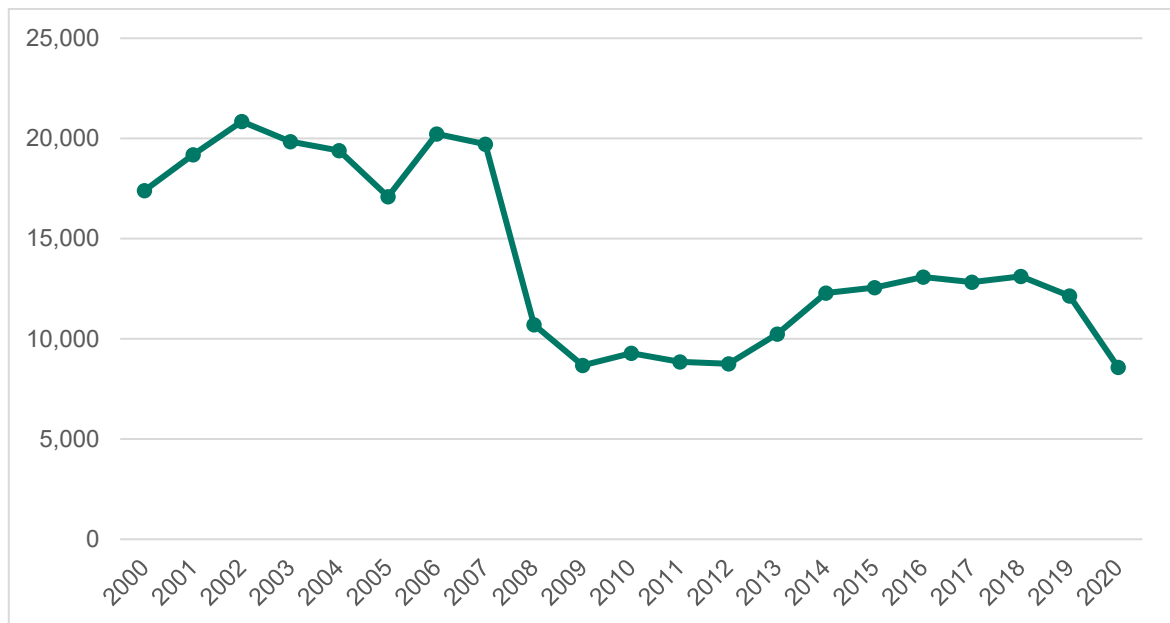
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**4.10** Most of the other sub areas as well as the north and south broad areas have similar mix of sales with the majority being semi-detached and terraced homes.

**Sales Transactions**

**4.11** In 2020 there were 8,586 property sales in the City, which was a substantially reduced volume in comparison to previous years. As shown in the figure below there was relatively high level of sales prior to the 2008 recession and volumes have remained lower since although there was some level of recovery, particularly since 2012, until the pandemic.

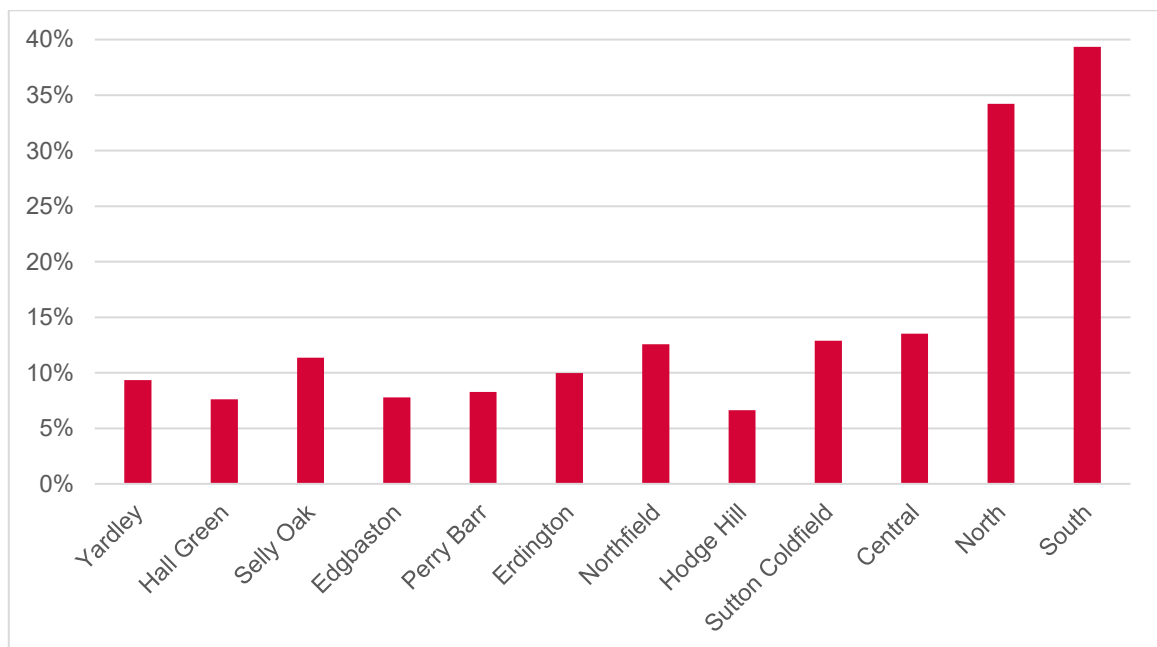
**Table 4.1 Sales Volumes – Birmingham, Year to Dec (2000-2019)**



Source: Derived from ONS Small Area House Price Statistics Dataset 6

**4.12** When sales volumes are split by broad areas, the broad areas with the highest volume of sales are the South, 34%, and Sutton Coldfield, 39%, these high sales volumes demonstrate an active property market in these areas. The Central broad area saw lower sales at only 14%. The Hodge Hill sub area (7%) had the lowest number of sales.

**Table 4.2 Sales Volumes – Birmingham Sub and Broad Areas (2020)**



Source: Derived from ONS Small Area House Price Statistics Dataset 36 (the last four entries are broad areas the others are sub areas)



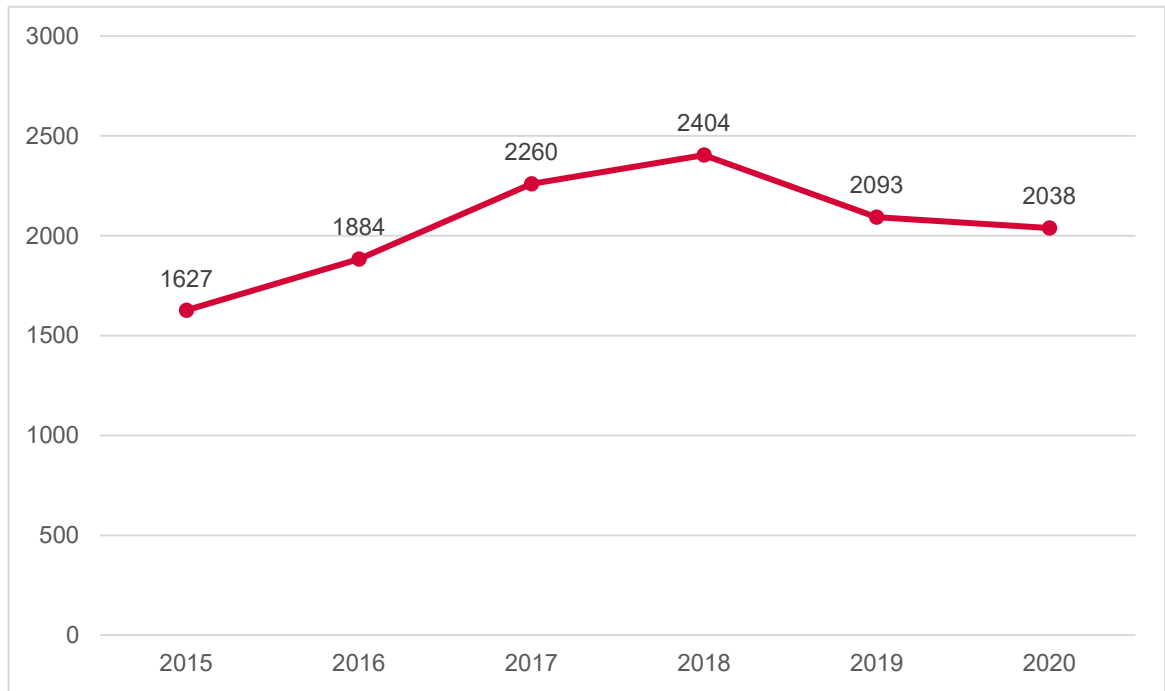
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## Help to Buy

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- 4.13** In the first quarter of 2021, Birmingham had 112 Help to Buy sales which is one of the highest in the West Midlands. As Help to Buy loans are only available on new build properties it can be expected that with the high rate of housebuilding in Birmingham there would also be a high rate of Help to Buy loans utilised by first time buyers.
- 4.14** The number of sales within the HMA that have been supported by the Help to Buy loan since 2015 can be seen in the figure below. The number of sales supported increased yearly between 2015 and 2018 but appears to have decreased since which will be in part due to the overall fall in sales. It is however positive to see that the number of supported sales still exceeds 2000 across the HMA per annum.

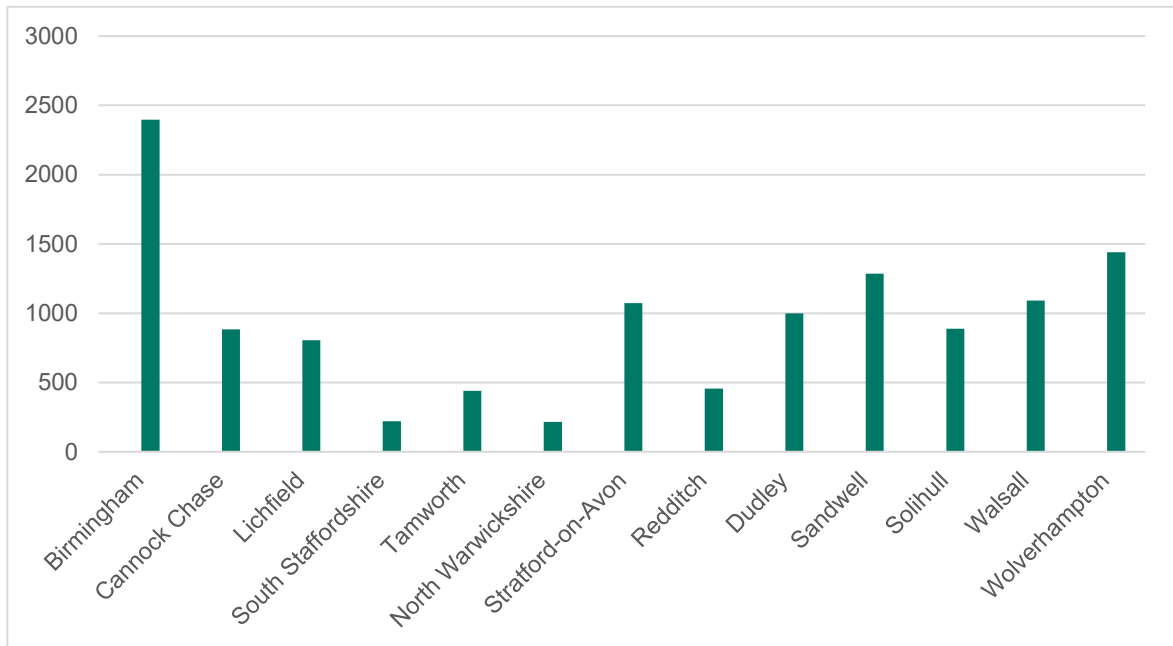
**TABLE 4.7. SALES SUPPORTED BY HELP TO BUY EQUITY LOAN IN HMA – 5 YEARS TO SEPT 2020**



Source: ONS Help to Buy: Equity Loan Tables (2021)

**4.15** Further local authority specific data regarding the number of first time buyers supported by the Help to Buy loan since its inception can be seen in the figure below. Birmingham has the highest number of first time buyers supported by loan in the West Midlands.

**TABLE 4.5. FIRST TIME BUYERS SUPPORTED BY HELP-TO-BUY EQUITY LOAN, TO SEPT 2020**



Source: ONS Help to Buy: Equity Loan Tables (2021)

**4.16** House price forecasts produced by Savills predicts that the 5-year percentage increase to 2025 will be 24% in the West Midlands and 21.1% across the UK. This indicates the region will recover quicker from the pandemic than elsewhere in the country.

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**TABLE 4.4. SAVILLS HOUSE PRICE FORECASTS, MARCH 2021**

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
West Midlands	4.5%	5.5%	5.0%	4.0%	3.0%
UK	4.0%	5.0%	2.0%	3.5%	3.0%

Source: Savills UK Housing Market Update, April 2021

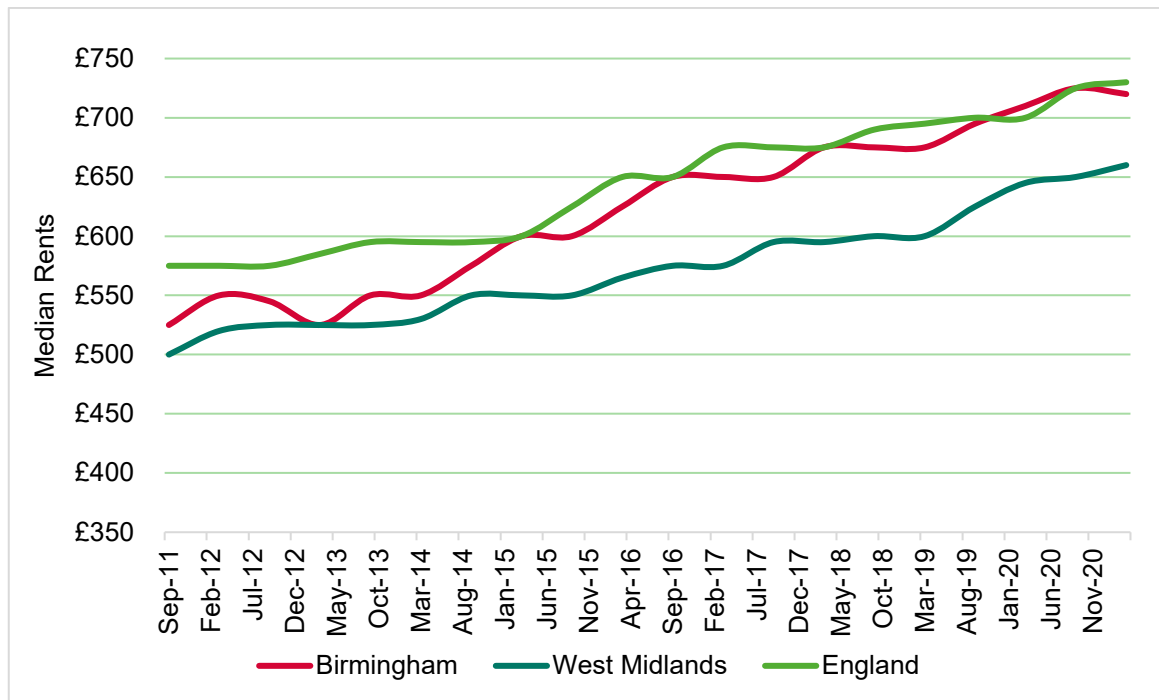
- 4.17** It should be reiterated that this forecast covers the West Midlands as a whole and different parts will fare differently. For example, during the pandemic there has been a trend of people moving from urban to rural/suburban areas and pushing up house prices in those areas as a result. The converse was also true, as a glut of available properties in urban area as people sought to move out. As a result house prices in urban area fell or grew at a slower rate.

### **Lettings Market**

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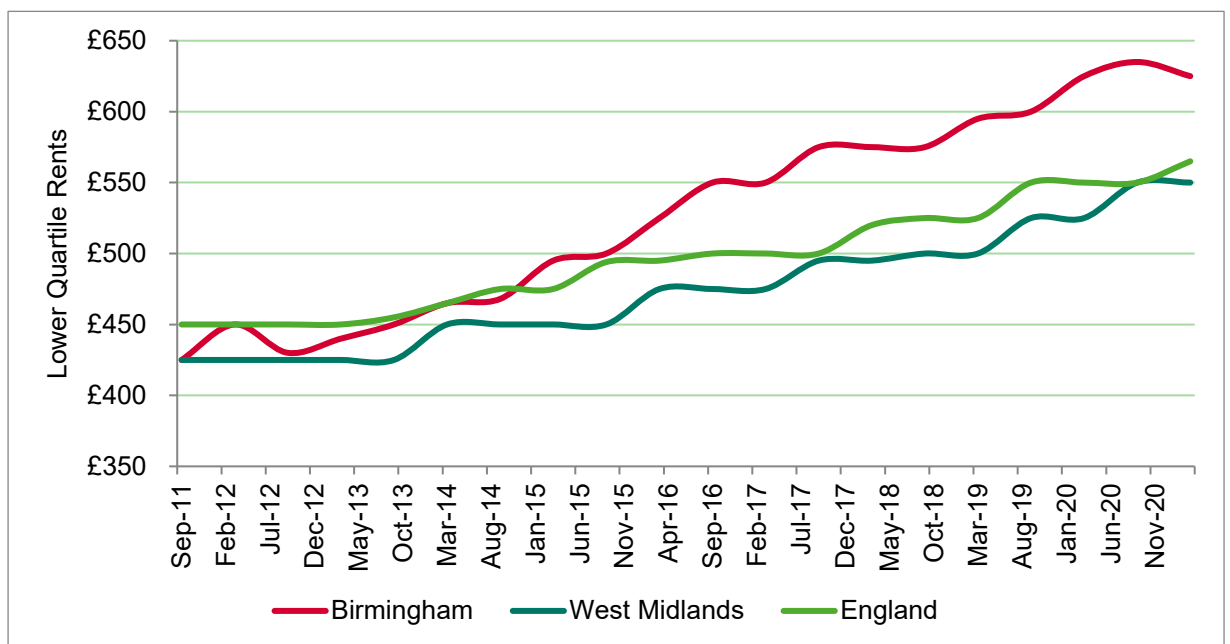
- 4.18** Median rents in Birmingham are £720 per calendar month which are around £10 lower than the national figure (£730) and substantially higher than the wider West Midlands (£660). This will in part be boosted by the student rental market.
- 4.19** As shown in the table below, rents have been in almost constant growth since 2011 and at a greater rate than the national and regional growth.

**TABLE 4.4 MEDIAN RENTS, 2011-20**



Source: Icen analysis of VOA Data

**4.20** In the year to September 2020 lower quartile rents in both England and the West Midlands sat at £550 and while Birmingham lower quartile rents were much higher at £635. The lower quartile trends show almost constant growth in Birmingham since 2013. Once more the growth was also faster than the West Midlands region and England as a whole particularly since 2015.



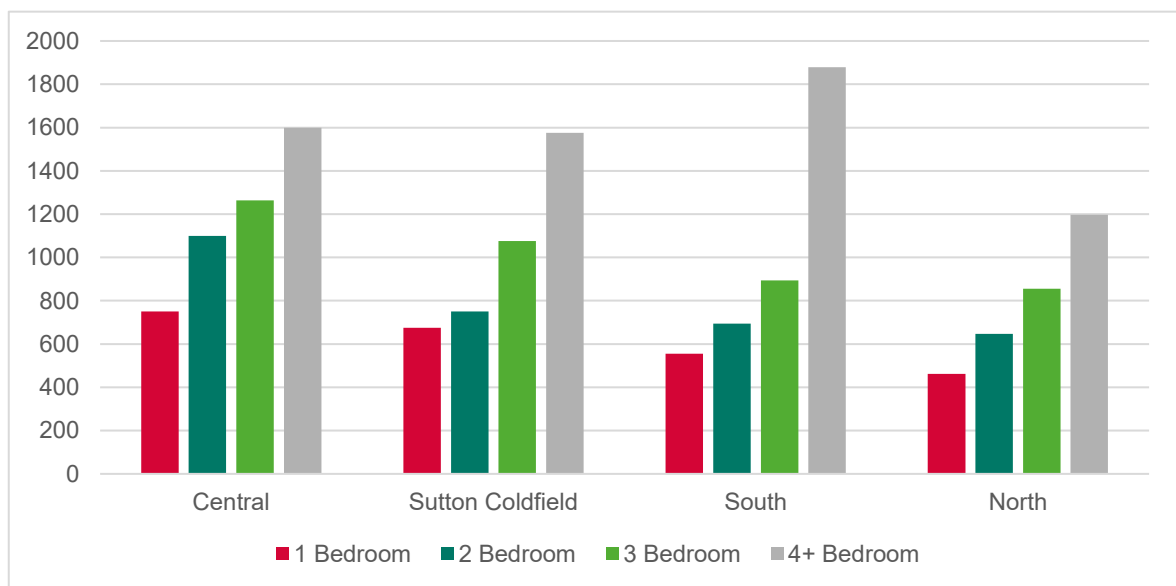
**Table 4.2 Lower Quartile Rents, 2011-20**

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Source: Icen analysis of VOA data

**4.21** We have also examined median advertised rents in each sub-area taken from Rightmove.com. This data can therefore only be seen as a sample of all sales and assumes that asking prices are achieved.

**4.22** The North broad area sees the lowest median rents across all property sizes, with the Central broad area seeing the highest in 1-3 bedroom properties. The South broad area sees the highest median price for 4 plus bedrooms at £1,878 per calendar month, this may be a result of high student concentration in the South increasing prices for larger properties.



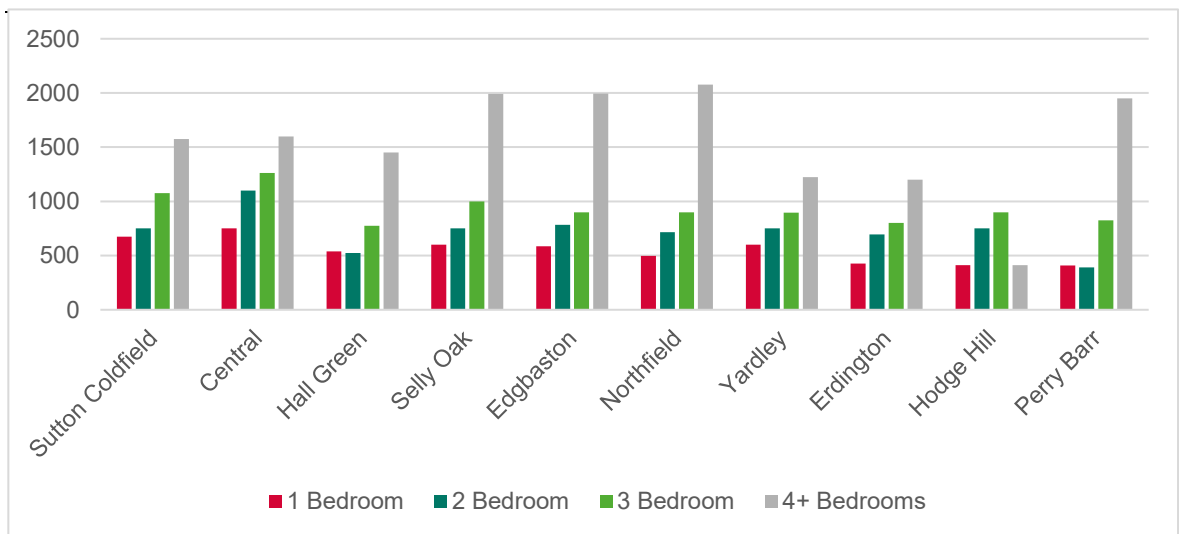
**Table 4.3 Median Advertised Rents, by Broad Area**

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Source: Icen analysis of Rightmove.com data (September 2020)

**4.23** When split by sub area, the trend of higher median prices for 4 plus bedroom properties can be seen in Selly Oak, Edgbaston and Northfield again this can be attributed to the student population. Hodge Hill sees the lowest median price for 4 plus bedrooms at £412, however, it should be noted that at the time of research only one 4 plus bedroom property was being advertised.

**Table 4.4 Median advertised rents, by Sub Area**



Source: Icen analysis of Rightmove.com data (September 2020)

#### Key Points – Housing Market

The median house prices in 2020 in the City were £192,000, higher than the wider HMA but below the West Midlands and National medians. Sutton Coldfield has the highest median and lower quartile house prices (£329,000) with Hodge Hill at the lowest (£154,500).

House price growth in the City of Birmingham has been higher than the wider HMA and Region over the last 5 and 20 year periods.

Birmingham had a higher median value for all household types than the wider region and HMA, with the exception of terraced homes which are more expensive in the HMA than in the City.

Sales by type in Birmingham are skewed slightly towards smaller property types (flats and terraces) when compared to that of the wider HMA and West Midlands. The Central sub-area has a higher percentage of sales of flats than anywhere else with Sutton Coldfield having a higher percentage of detached properties.

In 2020 there were 8,586 property sales in the City, which was a substantially reduced volume in comparison to previous years.

Help to Buy sales in Birmingham are important with the highest number of first time buyers supported by the scheme in the West Midlands.

Savills house price forecasts indicate that the West Midlands region will recover quicker from the pandemic than elsewhere in the country. Although this might not be universal across the

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*whole region. During the pandemic there was a flight from urban to rural/suburban areas with the result that house prices grew in the latter and were depressed in the former.*

*Median rents in Birmingham are £720 pcm. Lower than the national figure of £730 and higher than the wider West Midlands of £660. Rents have been in almost constant growth since 2011. Lower quartile rents in Birmingham are higher than both England and the West Midlands at £635 compared to £550.*

*The North broad area sees the lowest median rents across all property sizes, with the Central broad area seeing the highest in 1-3 bedroom properties. The South broad area sees the highest median price for 4 plus bedrooms at £1,878 per calendar month. This is perhaps linked to student housing.*



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## 5. HOUSEHOLD SURVEY

**5.1** As part of the study a survey of local householders has been undertaken by North East Market Surveys (NEMS). The survey has been designed so as to not simply replicate data that is already available and therefore focusses on collecting information that cannot be accessed from other sources; this also helped to keep the survey to a manageable length so as to not prejudice the response.

**5.2** Parts of this survey have informed other sections of the report including that relating to affordable housing need, housing mix and specific groups. The purpose of this section of the report is to profile those responding to the survey and set out some additional findings.

**5.3** The survey focussed on a range of information which is not readily available from other sources and can be summarised under the following broad headings:

- Housing history (previous moves, including locations and tenure of accommodation);
- Moving Home (including the type, size, location and tenure of housing required);
- Support needs (including the need for specialist housing (e.g. sheltered/extra-care) and also adaptations to current homes);
- Separate Homes for New Households (future needs from newly forming households, again including type, size, location and tenure); and
- Financial profile information (particularly focused on areas where data is lacking, such as to understand households access to deposits/capital to allow them to buy a home).

**5.4** In addition, the survey collected a range of basic household/housing information which can be summarised under the headings of 'Your Home' (including current housing situation, tenure, dwelling size, housing costs etc.) and 'Your Household' (including household size, age, composition and ethnic group).

**5.5** For this study a personal interview survey (to be conducted by telephone) was completed and below are some key features of the research:

- Random survey with all residents having equal chance of being selected;
- Majority of surveys by personal interview (telephone)
- Supplemented by an online/internet-based survey
- Two-thirds of surveys outside normal working hours (to boost sample of certain groups (e.g. workers));
- Availability of multi-lingual interviewers; and
- Total completed sample of 1,800 (1,804 actually completed).

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**5.6** In order to gross up the data to represent the entire household population it is necessary to make an estimate of the number of households in the area and to consider key features of the population to correct for any bias in the survey results (i.e. particular groups being over- or under-represented). A range of variables were considered in the weighting and gross process, including:

- Sub-areas (estimates of households in each of the 10 areas)
- Tenure
- Dwelling type
- Household size; and
- Age

**5.7** The table below shows an estimate of the current tenure split in the District along with the sample achieved in each group. The data shows that around 54% of households are owner-occupiers, 26% are in the social rented sector and the remaining 20% are in the private rented (and other) sector.

**5.8** An important aspect of preparing data for analysis is 'weighting' it. As can be seen from the table below, social survey responses never exactly match the estimated population totals. As a result, it is necessary to 'rebalance' the data to correctly represent the population being analysed via weighting.

**5.9** Weighting is recognised (e.g. in former Strategic Housing Market Assessment Guidance) as being a way of compensating for low response amongst certain groups. Although response rates were lower amongst certain groups of the population (e.g. privately renting households in the table above) the application of a sophisticated weighting process, as has been used in this survey, removes any bias.

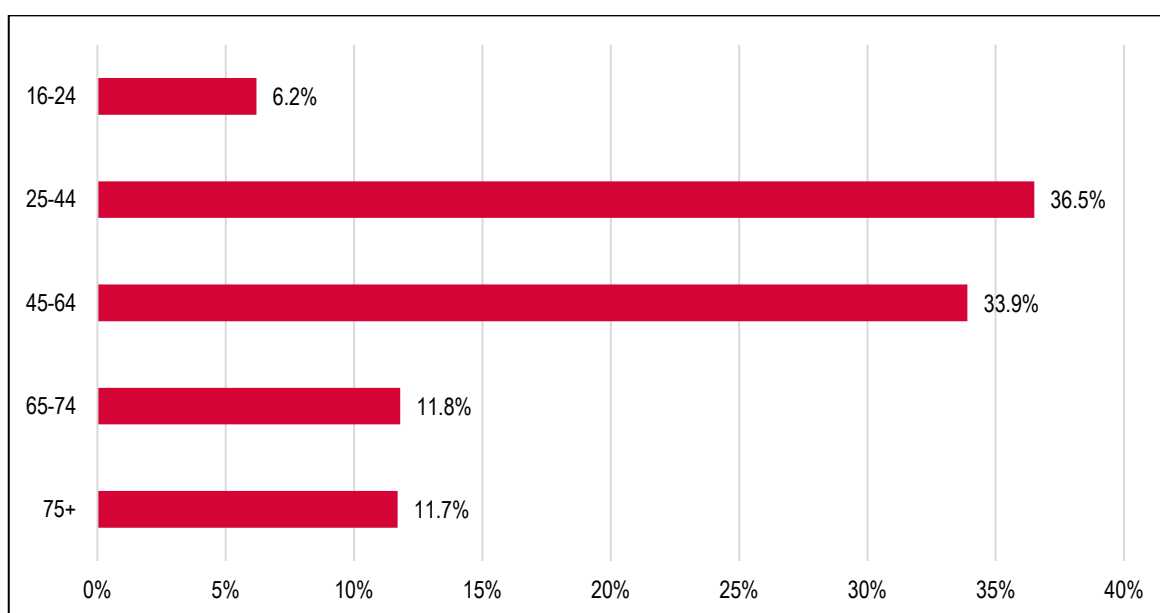
**TABLE 5.1. NUMBER OF HOUSEHOLDS IN EACH TENURE GROUP**

Tenure	Total number of households	% of households	Number of returns	% of returns
Owner-occupied (no mortgage)	126,913	29.3%	964	53.4%
Owner-occupied (with mortgage)	108,567	25.0%	421	23.3%
Social rented	111,951	25.8%	297	16.5%
Private rented	82,853	19.1%	114	6.3%
Other	3,145	0.7%	8	0.4%
Total	433,429	100.0%	1,804	100.0%

Source: Household Survey Data

**5.10** The age of respondents was slightly older than the estimated population with 57% of respondents over the age of 45 including 12% aged between 65 and 74 and 12% aged over 75. The largest group of respondents were those aged 25-44.

**Table 5.1 Respondents by age**



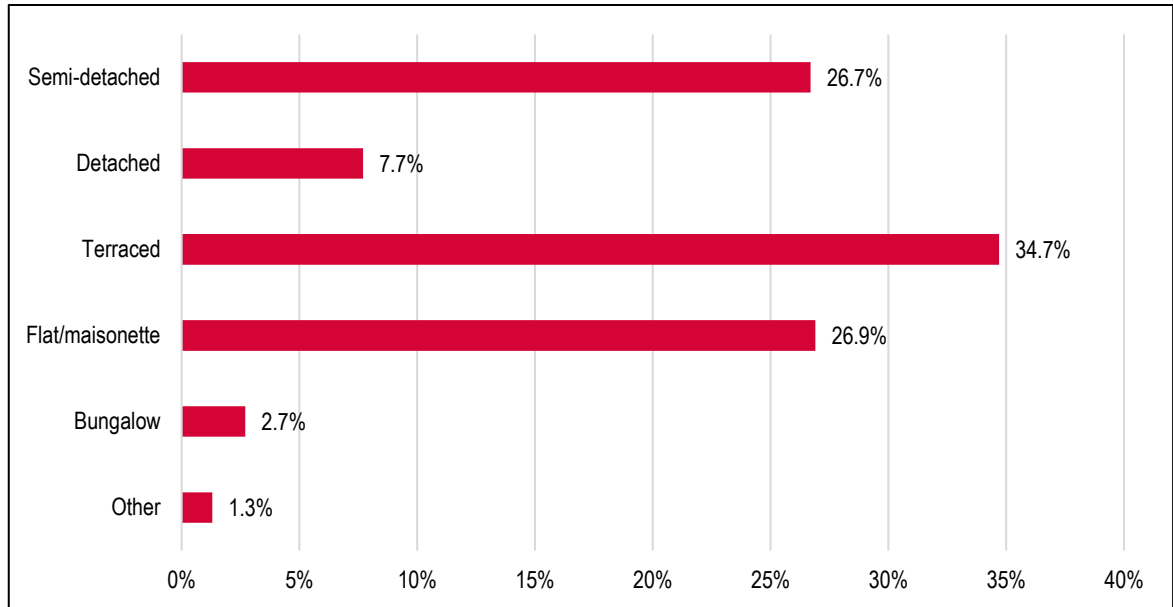
Source: IcenI analysis of Household Survey Data

**5.11** Terraced properties were most common type of accommodation of those responding to the survey at 34.7% of respondents. Semi-detached properties (26.7%) and Flats/maisonettes (26.9%) saw a similar percentage of the respondent population each.

**5.12** Detached properties and bungalows represent very little of the housing stock taking much lower proportions of the overall respondent households, it can be understood that those living within Birmingham tend to occupy properties of higher densities and as such indicates a high population

density within the city. The small other category in the figure below includes a number of dwelling types (including Bedsit/studio/room, Supported housing and Houseboat/boat).

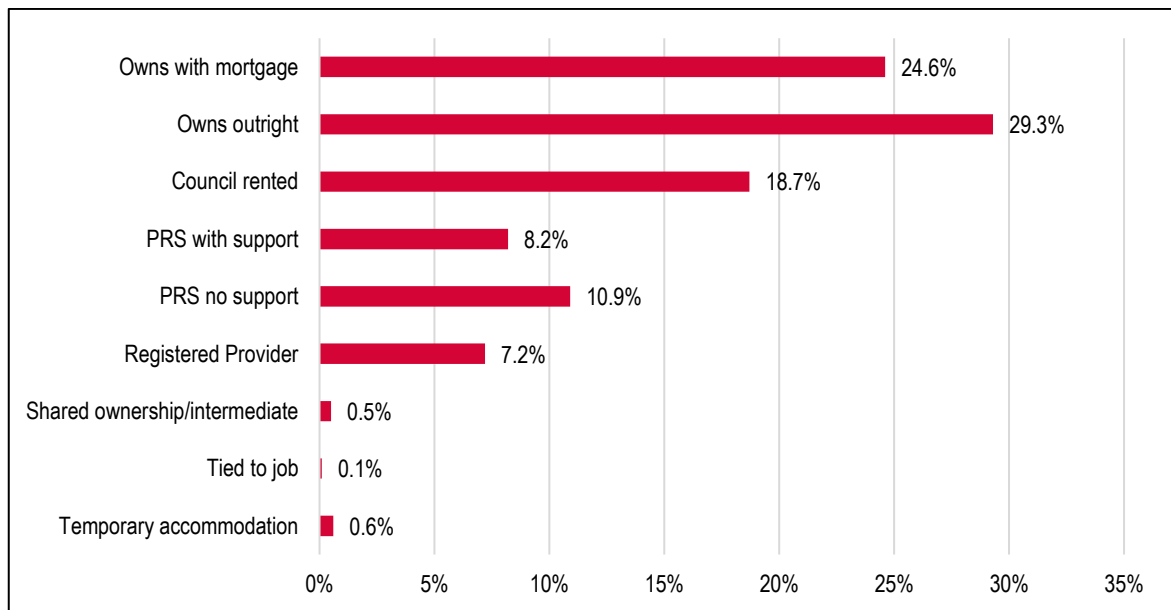
**Table 5.2 Respondents by type of property occupied**



Source: Icení analysis of Household Survey Data

**5.13** Owning properties outright was the main tenure status within the respondents at 29%, followed by owning with a mortgage (25%), renting property via the Council was next common at 19%. When combined, renting from the private sector both with and without support saw a slightly higher proportion at 19%, with 8% of respondents reporting to rent without support such as housing benefit. Fewer than 1% of all respondents reported to live in temporary accommodation, accommodation linked to a job and shared/intermediate ownership properties although these are typically hard to reach groups so the response rate may be suppressed.

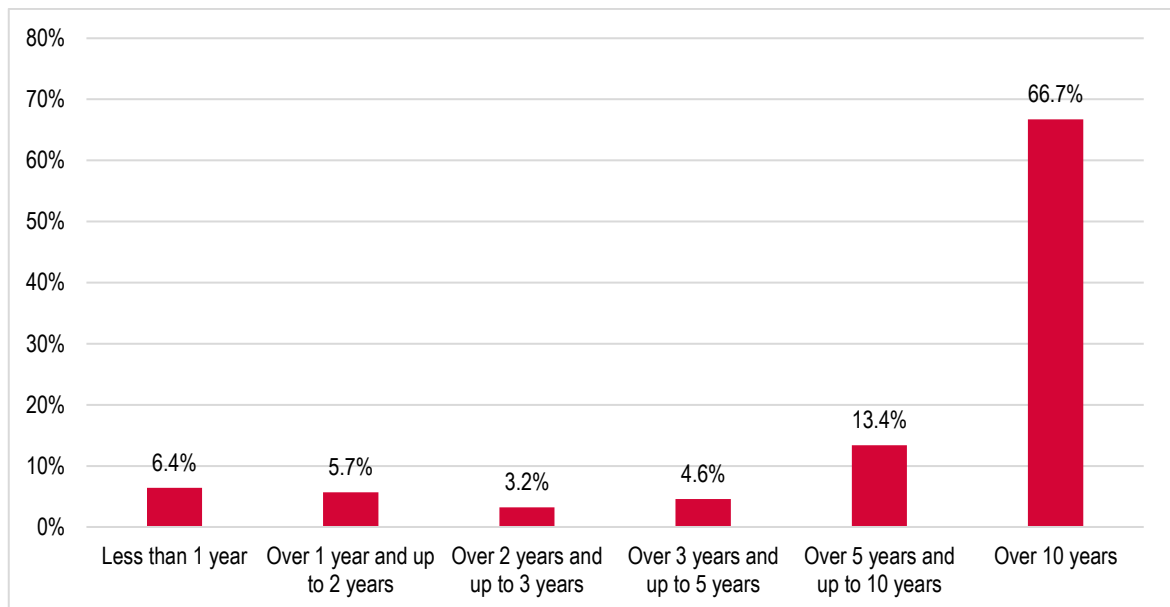
**Table 5.3 Respondents by tenure status**



Source: IcenI analysis of Household Survey Data

- 5.14** Despite this clear dislike of private rented housing within those that do not rent, when questioned on their satisfaction with their landlord a majority of respondents living in private rented properties were satisfied (62.4%), again potentially indicating a preference towards other housing options as a result of financial factors such as security and investment rather than physical factors such as the type and condition of properties available.
- 5.15** Respondents generally reported to living at their current addresses for over 10 years (66.7%), this is expected considering the high proportion of those who own their property within the survey area as those who own property are generally likely to stay there for longer periods of time. Within shorter time periods there appears to be a dip in between 2-3 years when compared to others at just 3.2% this is likely to reflect tenancies that may be on shorter 12 month contracts and also potentially the increased numbers of home movers experience in 2020 as a result of the stamp duty holiday.

**Table 5.4 Time at current address**



Source: IcenI analysis of Household Survey Data

### Survey data on Housing Need

- 5.16** As well as the secondary data estimate of current need above, it is possible to cross-check some of the data with that from the household survey. Specifically, the survey asked: *'Do you think that your home is adequate for the needs of your household?'*
- 5.17** The response to this question can be seen to be along similar lines to the secondary data based estimate of the number of households living in unsuitable housing. Overall, some 11% of households stated that their home was inadequate, this is around 49,300 households, slightly lower than the figure generated from secondary data analysis (about 57,200 if excluding homeless and concealed households).
- 5.18** The table below shows the number of households stating their accommodation to be inadequate by sub-area. This shows a very low proportion in Sutton Coldfield (and also Hall Green) and a much higher proportion in Perry Barr, Edgbaston and Central).

**TABLE 5.5. HOUSEHOLDS STATING THAT THEIR HOME IS INADEQUATE FOR THE NEEDS OF THE HOUSEHOLD BY SUB-AREA**

	Households stating inadequate	Estimated total households	% stating home inadequate
Central	11,737	77,653	15.1%
Edgbaston	5,996	38,083	15.7%
Erdington	5,037	43,986	11.5%
Hall Green	715	29,028	2.5%
Hodge Hill	4,064	36,989	11.0%
Northfield	4,372	46,716	9.4%
Perry Barr	7,392	42,242	17.5%
Selly Oak	5,135	41,282	12.4%
Sutton Coldfield	454	39,208	1.2%
Yardley	4,254	38,243	11.1%
TOTAL	49,156	433,429	11.3%

Source: Household Survey

- 5.19** The table below shows the same information split down by tenure. This identifies that households living in social and private rented housing are far more likely to consider their homes to be inadequate than owner-occupiers. Households in rented accommodation make up 70% of all household in inadequate accommodation.

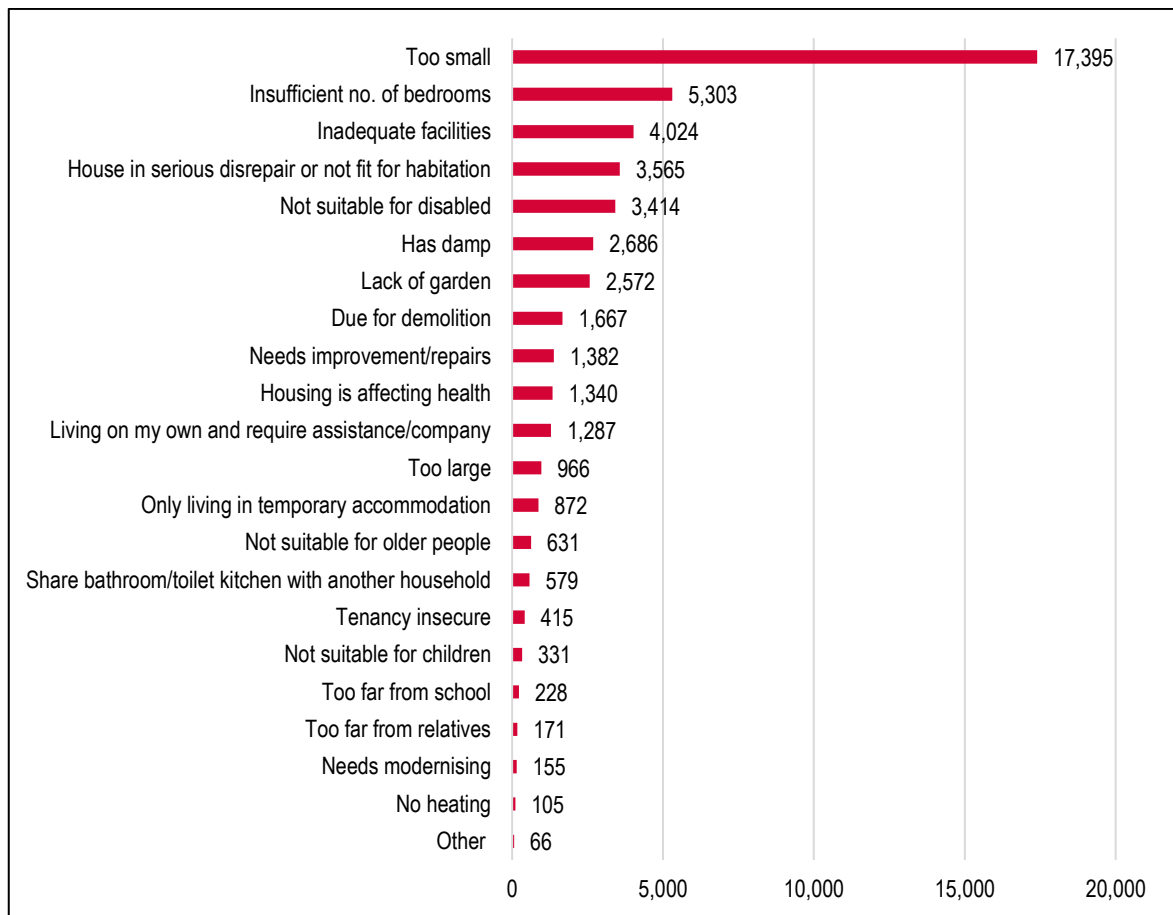
**Table 5.6 Households stating that their home is inadequate for the needs of the household by Tenure**

	Households stating inadequate	Estimated total households	% stating home inadequate
Owner-occupied (no mortgage)	8,190	126,913	6.5%
Owner-occupied (with mortgage)	6,585	108,567	6.1%
Social rented	19,887	111,951	17.8%
Private rented and other	14,494	85,999	16.9%
Total	49,156	433,429	11.3%

Source: Household Survey

- 5.20** The survey also asked those who stated that their home was inadequate the reasons for this. The table below shows the main reasons given by households (who could also choose up to two secondary reasons, but not reported here). A wide range of reasons are given, with the main one being that the current home is too small (as well as insufficient bedrooms).

**Table 5.7 Reasons for households stating that their home is inadequate**



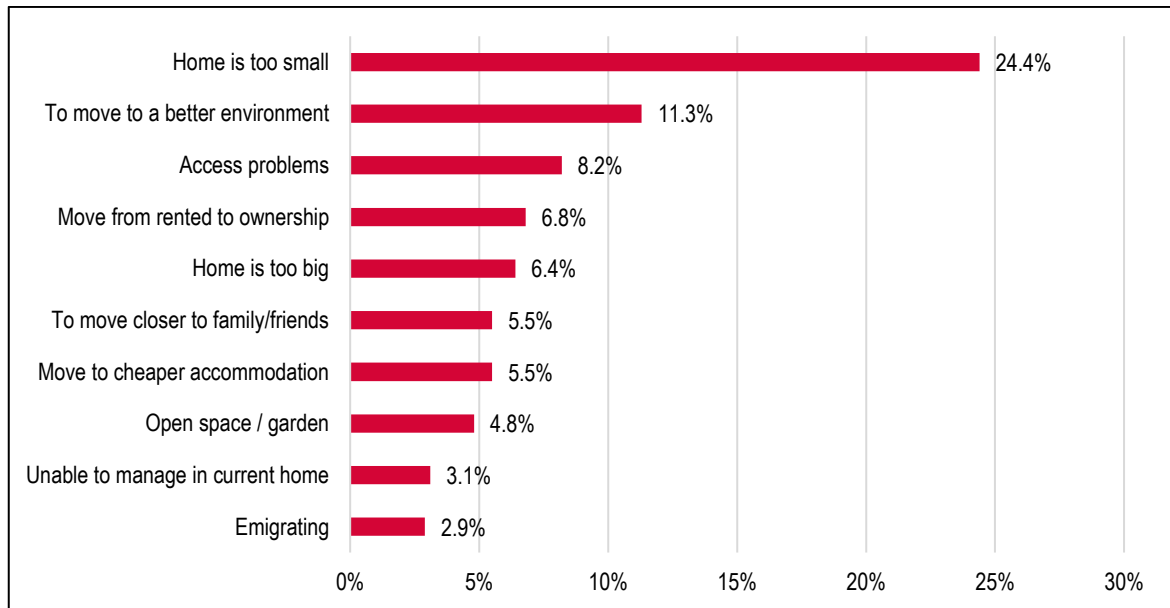
Source: Household Survey

**5.21** We also asked respondents about why they are seeking a new house, noting that needing and wanting a new home are different. Of those that wanted to move the reasons why covered a range of topics.

**5.22** As the figure below shows the top 10 reasons for wanting to move include their current property is too small (24.4%) and wanting to move to a better environment (11.3%) and physical access problems (8%) and wanting to move from rental accommodation to buy (6.8%). There were also a similar proportion of people wanting to downsize.



**Table 5.8 Reasons for wanting to move**



Source: IcenI analysis of Household Survey Data

**5.23** It is possible to investigate the access households have to deposits by looking at savings levels (data collected through the household survey). The table below shows saving levels by tenure and from this it is clear that households in the PRS are likely to have difficulty raising a deposit, with some 41% stating that they have no savings or that they are in debt and a further 27% having less than £5,000.

**Table 5.9 Savings by Tenure**

	None/in debt	Less than £5,000	£5,000-£10,000	£10,000 - £15,000	£15,000 - £20,000	£20,000 +	TOTAL
Owned (no mortgage)	25.8%	16.1%	12.5%	5.6%	4.9%	35.1%	100.0%
Owned (with mortgage)	33.3%	24.7%	10.6%	6.3%	5.9%	19.2%	100.0%
Social rented	62.9%	25.4%	4.8%	0.9%	1.6%	4.3%	100.0%
Private rented	41.0%	27.1%	11.4%	5.3%	7.3%	7.9%	100.0%
Other	41.2%	42.8%	0.0%	0.0%	0.0%	16.0%	100.0%
Total	40.3%	22.9%	9.7%	4.5%	4.7%	17.8%	100.0%

Source: Household Survey

**5.24** This would indicate a lack of mobility between PRS and owner occupation although some low cost home ownership products such as shared ownership which have a relatively low deposit levels could help address.

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## Survey data on size requirements

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**5.25** The household survey included a series of questions to householders about future moving intentions. The series of analysis provides key details from this with a particular focus on the sizes of homes required in different tenures. Two different groups have been analysed:

- Existing households stating a need to move home; and
- Existing households stating they would like to move home.

### Households Stating a Need to Move

**5.26** The first group are those who stated that they NEED to move to a different home. In total, 13.0% of households (about 56,500) stated that they did need to move, a cross-tabulation with current tenure shows that these households were far more likely to be living in social or private rented accommodation than to be an owner-occupier.

**Table 5.1** Current Tenure of Households Stating a NEED to Move Home – Birmingham

	Number needing to move	Estimated size of tenure group	% of tenure group needing to move	% of those needing to move in tenure group
Owns outright	7,029	126,913	5.5%	12.4%
Owns with mortgage	5,937	108,567	5.5%	10.5%
Social rented	21,966	111,951	19.6%	38.9%
Private rented	19,659	82,853	23.7%	34.8%
Other	1,896	3,145	60.3%	3.4%
Total	56,487	433,429	13.0%	100.0%

Source: Household survey

**5.27** Of those stating a need to move, approaching half said they needed to move now, and virtually all said they needed to move within the next five years – those needing to move within five years were then asked a series of further questions about their intentions.

**Table 5.2** When Households who NEED to move say they need to move – Birmingham

	Estimated number of households	% of households
Now	24,963	44.2%
Within a year	14,064	24.9%
1-3 years	11,362	20.1%
3-5 years	4,810	8.5%
Over 5 years	1,289	2.3%
Total	56,487	100.0%

Source: Household survey

**5.28** In terms of tenure, households were asked what type of tenure they would like and also the tenure expected. The table below shows that those needing to move generally have a higher preference for social renting, with an even higher proportion expecting to secure social rented accommodation. Around 35% would like owner-occupation but a lower proportion (25%) expect this tenure of housing. Relatively few either want or expect private renting (although the other category will include some tenures that would be considered as private renting such as a flat/house share).

**Table 5.3 Tenure Households would Like and Expect (those stating a need to move within 5-years) – Birmingham**

	Like	Expect
Owner-occupation	35.2%	25.3%
Social rented	47.1%	58.6%
Private rented	11.2%	9.3%
Other	6.6%	6.8%
Total	100.0%	100.0%

Source: Household survey

**5.29** The final analysis of those who need to move looks at the number of bedrooms they say they need and how many they expect to secure. The analysis below has been segmented by tenure with any households stating either a like or expect within any tenure group being included in that groups (this does mean that some households will be included in more than one group).

**5.30** In the owner-occupied sector it can be seen that the main focus is on 3-bedroom homes, with also some demand for 2- and 4+-bedroom properties (and relatively few 1-bedroom homes). In the social rented sector the need is focussed on 2-bedroom homes, although there is an appreciable demand for homes with 3+-bedrooms (and also for 1-bedroom accommodation). Finally, in the private rented sector, the demand is very much focussed on 2- and 3-bedroom homes.

**Table 5.4 Number of bedrooms needed and expected by future tenure – Birmingham**

	Owner-occupation		Social rented		Private rented and other	
	Need	Expect	Need	Expect	Need	Expect
1-bedroom	6.9%	4.9%	21.2%	21.0%	14.4%	18.8%
2-bedrooms	34.6%	30.0%	32.1%	41.5%	25.4%	34.4%
3-bedrooms	29.5%	39.4%	32.5%	18.8%	43.4%	28.9%
4+-bedrooms	29.0%	25.7%	14.2%	18.7%	16.8%	17.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Household survey

### Households Stating they Would Like to Move

**5.31** A similar set of questions were asked of households who stated that they would LIKE to move to a different home (even if you do not NEED too). In total there were some 32.9% of households who

said they would like to move, notably higher than the numbers who said they needed to move. Again these households were asked when they would like to move, with any moving within the next 5-years being asked further questions about their aspirations.

- 5.32** In terms of when households would like to move, the survey analysis still shows (like the NEED to move group) that households would like to move sooner in the 5-year period although fewer households have said they need to move now or within a year.

**Table 5.5** When Households who would LIKE to move say they are likely to move – Birmingham

	Estimated number of households	% of households
Now	40,223	28.2%
Within a year	28,961	20.3%
1-3 years	37,714	26.5%
3-5 years	19,658	13.8%
Over 5 years	15,833	11.1%
Total	142,390	100.0%

Source: Household survey

- 5.33** In terms of tenure, again households were asked what type of tenure they would like and also the tenure expected. The table below shows that those wanting to move generally have a higher preference for owner-occupation (when compared with the need to move group). There is also a relatively high demand for social rented housing, but relatively few say they would like to live in the private rented sector.

**Table 5.6** Tenure Households would Like and Expect (those stating they would like to move within 5-years) – Birmingham

	Like	Expect
Owner-occupation	57.3%	51.7%
Social rented	27.2%	30.3%
Private rented	10.0%	12.8%
Other	5.6%	5.2%
Total	57.3%	51.7%

Source: Household survey

- 5.34** In terms bedrooms, the analysis (below) is broadly similar to that for households needing to move in terms of the sizes of homes in different tenures, this shows a focus on 3-bedroom homes in the owner-occupied sector, and for 2-bedroom homes in both the social and private rented sectors. However, in all cases it is clear there are households who would like or expect a full range of different dwelling sizes.

**Table 5.7** Number of bedrooms needed and expected by future tenure – Birmingham

	Owner-occupation		Social rented		Private rented and other	
	Like	Expect	Like	Expect	Like	Expect
1-bedroom	2.4%	3.5%	19.6%	23.0%	10.6%	14.6%
2-bedrooms	27.9%	31.8%	34.9%	35.9%	40.0%	45.5%
3-bedrooms	39.4%	42.5%	25.6%	23.9%	29.3%	25.4%
4+-bedrooms	30.3%	22.2%	19.9%	17.2%	20.1%	14.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Household survey

- 5.35** In general, discussions with local estate agents find that there is a demand for bungalows and from the household survey it was found that 20% of those who would like to move, would like to move to a bungalow – this figure is clearly significantly above the current proportion of bungalows in the stock (<3%). Of those aged 65-74 who want to move, some 66% would like a bungalow; with a figure of 54% when looking at the 75+ age group.
- 5.36** From the household survey it is clear that households would prefer houses to flats; of all household stating that they would like to move to a 2-bedroom property, some 30% would like a flat or maisonette. This figure is lower than the proportion of flats in the current stock.

### Household Survey Data on Disabilities

- 5.37** The household survey collected a range of data about people and households with a disability in the City. Firstly, households were asked ‘Do you or another adult in your household have a long term illness, health problem or disability that limits daily activity or work?’. In total, 36.7% of households responded saying that someone did have a disability – equating to approximately 159,100 households. This proportion is similar to that shown above (36.5% of all households containing someone with a disability, albeit this latter figure does include children).
- 5.38** The table below shows the range of disabilities recorded by households. As more than one person in a household can have a disability the total number is higher than the number of households. In total, around 197,800 adults are estimated to have some form of disability, a figure again close to that shown from Census data (of 197,900 – including children).
- 5.39** The main category of disability was a physical disability from a non-wheelchair user, making up around half of all people with a disability, mental health problems was the next highest category. The survey also recorded a significant number of people stating an ‘other’ disability (this is other to those categories used on the survey form). A very wide range of other disabilities were recorded, the main other one being Arthritis, with over 4,000 people (estimated) stating this.

**TABLE 5.16 NATURE OF HEALTH PROBLEM FOR ADULTS WITH SOME FORM OF DISABILITY**

	Number of people	% of people
Physical wheelchair user	25,105	12.7%
Physical non-wheelchair	97,632	49.4%
Learning disability	8,364	4.2%
Mental Health	28,808	14.6%
Visual impairment	7,284	3.7%
Hearing impairment	2,129	1.1%
Other	28,449	14.4%
Total	197,771	100.0%

Source: Household Survey

- 5.40** As well as the questions of adults above, the survey asked: ‘Do any children (aged 15 and under) in your household have a long term illness, health problem or disability that limits daily activity?’. In response to this around 3.9% of households said yes (equating to around 17,000 households). In terms of the nature of the disability, the table below shows that there is a strong focus on learning disabilities, making up 38% of the total. Again, there was an appreciable number stating ‘Other’ and in this case the other group included asthma and speech problems.

**Table 5.8 Nature of health problem for children with some form of disability**

	Number of people	% of people
Physical wheelchair user	858	3.1%
Physical non-wheelchair	2,671	9.6%
Learning disability	10,577	37.9%
Mental Health	2,993	10.7%
Visual impairment	1,042	3.7%
Hearing impairment	1,287	4.6%
Other	8,464	30.3%
Total	27,892	100.0%

Source: Household Survey

### Survey Data on Older People

- 5.41** The household survey collected a range of data about older person households with an initial screening question of ‘Are you or another adult in your household regarded as being elderly?’. In total some 29.8% of respondents answered yes to this question, equivalent to an estimated 129,200 households.
- 5.42** It needs to be remembered that some of these households will be an older person living as part of an extended family, and it should also be noted that the survey did not define elderly and so some

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younger respondents may have answered yes, with some older people not considering themselves to be elderly.

**5.43** Households answering yes to the question about being elderly were further asked if their current home had been adapted or purpose built for a person regarded as being elderly? In total, some 25% said that their home had been adapted, representing around 31,800 households. The table below shows responses to this question. By far the main adaptation was found to be Bathroom adaptations, followed by Handrails/grab rails.

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**TABLE 5.17 HAS YOUR CURRENT HOME BEEN ADAPTED, OR PURPOSE BUILT FOR A PERSON REGARDED AS BEING ELDERLY? (HOUSEHOLDS IDENTIFYING AS ELDERLY ONLY)**

	Number of households	% of households
Yes, been adapted	24,798	19.2%
Yes, purpose built	6,997	5.4%
No	97,441	75.4%
Total	129,236	100.0%

*Source: Household Survey*

- 5.44** The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 17,000 wheelchair user households in 2020, and that this will rise to 21,100 by 2040 (an increase of 4,100). For reference, the survey data does estimate a slightly higher number of households (as of 2021) who are wheelchair users (21,900).

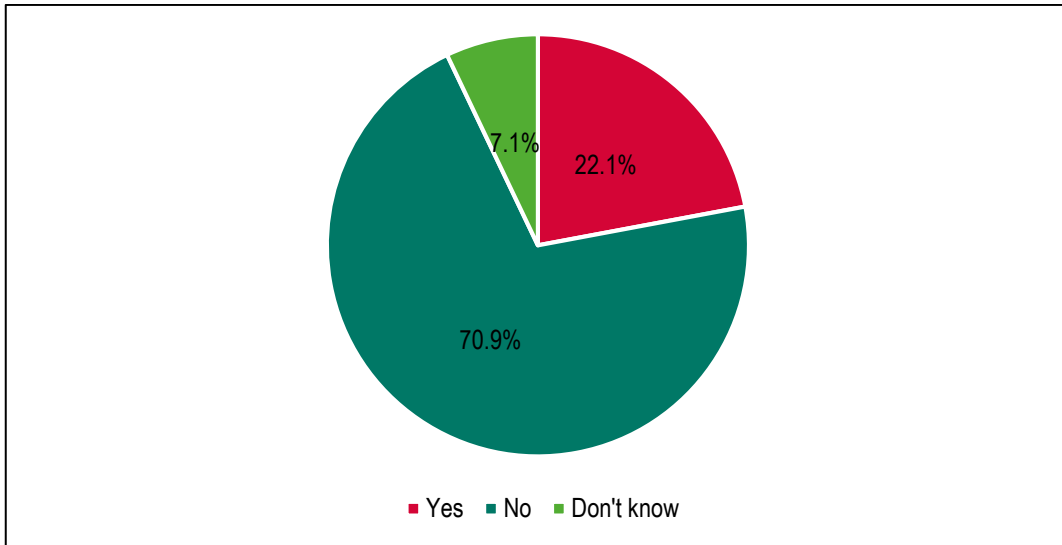
#### **Survey Data on Economic Inputs**

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- 5.45** As the country has emerged from pandemic restrictions the impact of the shift to homeworking is likely to remain. In the case of Birmingham only 22% of respondents said that they worked from home during the pandemic.



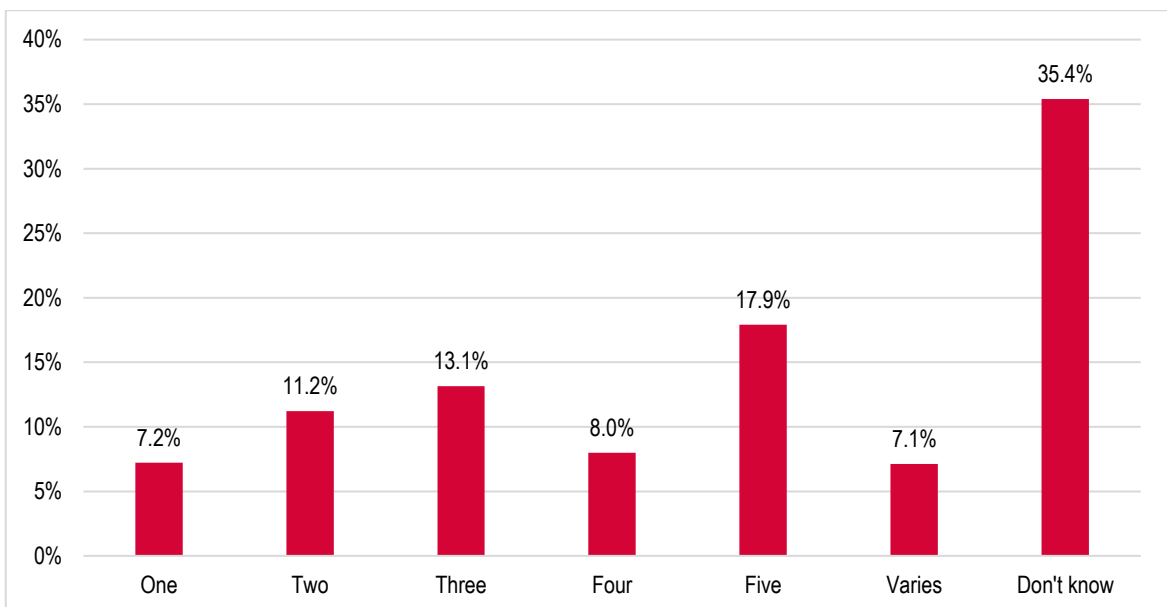
**TABLE 5.17 ADULTS WHO HAVE WORKED FROM HOME DURING THE PANDEMIC**



Source: Icení analysis of Household Survey Data

**5.46** When asked how often they think they would work from their usual workplace post-pandemic only around 18% said they would be working from home five days a week. Around 30% said that they would only be working at their usual workplace for three days or less.

**Table 5.18 Predicted number of days at workplace per week after pandemic**



Source: Icení analysis of Household Survey Data

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### *Key Findings – Household Survey*

*As part of the study a survey of 1,800 local householders has been undertaken. The survey focussed on a range of information which is not readily available from other sources. The key findings include:*

- 11% of households stated that their home was inadequate with the main reason being that the current home is too small.*
- The main reasons for wanting to move include their current property is too small (24.4%), wanting a better environment (11.3%), physical access problems (8%) wanting to buy (6.8%) downsize (6.8%).*
- Earnings data shows that households in PRS will have difficulty raising a deposit, with 41% stating that they have no savings or that they are in debt and a further 27% having less than £5,000.*

*In total, 13% of households stated that they needed to move. This was mostly likely for those living in social or PRS. Of those needing to move c.50% said they needed to move now. There was a preference for social renting although around 35% would like owner-occupation but only 25% expect this tenure.*

*Of those needing a move in the owner-occupied sector, most needed a 3-bedroom home. In the social rented sector most needed a 2-bedroom homes. In the PRS most needed a 2 or 3-bedroom home.*

*Around 20% of those who would like to move, would like to move to a bungalow. This figure is significantly above the current proportion of bungalows in the stock (<3%). It is clear that households would prefer houses to flats.*

*Around 37% of households said that someone in their household has a disability. The main category of disability was a physical disability from a non-wheelchair user and mental health problems.*

*Around 25% of households with an older people had adapted their home, representing around 31,800 households. The most common adaptation were bathroom adaptations and handrails/grab rails.*

*In relation to the economy the survey revealed that 22% of respondents had worked from home during the pandemic and only around 18% said they would be working from home five days a week.*

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## 6. HOUSING NEED AND DEMOGRAPHICS

- 6.1** This section of the report considers demographic trends, in particular looking at past trends in population growth and future projections. The analysis draws on the 2018-based subnational population projections (SNPP) and the 2018-based household projections (SNHP) – both ONS data releases, as well as some more historical projections (the 2014-SNHP). The analysis also looks at the most recent population estimates (again from ONS) which date to mid-2020.
- 6.2** Analysis is also provided to look at trends in the wider Birmingham Housing Market (HMA), understanding the components of population change and how these vary over time. Where projections are presented a 20-year period (2020-40) has been used.

### Standard Method

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- 6.3** As an introduction, the table below sets out the estimates of housing need using the Standard Method. This is mainly for reference purposes as it is relevant in some of the analysis to follow. The table shows that using the Standard Method (which links to 2014-SNHP) there is a need for 6,750 dwellings per annum (dpa) to be provided, but this figure would drop notably if more recent projections were used<sup>1</sup>.
- 6.4** According to paragraph 3 of the planning practice guidance “There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.” (Reference ID: 2a-003-20190220).
- 6.5** Although it is noted that using more recent projections is not allowed under the Standard Method, it is worthwhile considering what the impact would be. The reason for lower household growth in more recent projections is discussed later in this section.

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<sup>1</sup> At a very late stage in the production of this report ONS published affordability ratios for 2021. As a result the standard method for Birmingham increases from 6,750 dwellings per annum to 7,136 dwellings per annum which includes rebasing the figures to 2022.

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**TABLE 6.1 MHCLG STANDARD METHOD HOUSING NEED CALCULATIONS**

	2014-SNHP	2018-SNHP (alternative internal migration)	2018-SNHP (principal)
Households 2021	453,146	429,041	426,334
Households 2031	498,650	460,627	449,831
Change in households	45,504	31,586	23,497
Per annum change	4,550	3,159	2,350
Affordability ratio (2020)	5.58	5.58	5.58
Uplift to household growth	10%	10%	10%
Initial need Uncapped (per	5,000	3,471	2,582
Capped	5,000	3,471	2,582
Urban uplift	35%	35%	35%
Total need (per annum)	6,750	4,685	3,485

Source: Derived from a range of ONS and MHCLG sources

## Demographic Trends

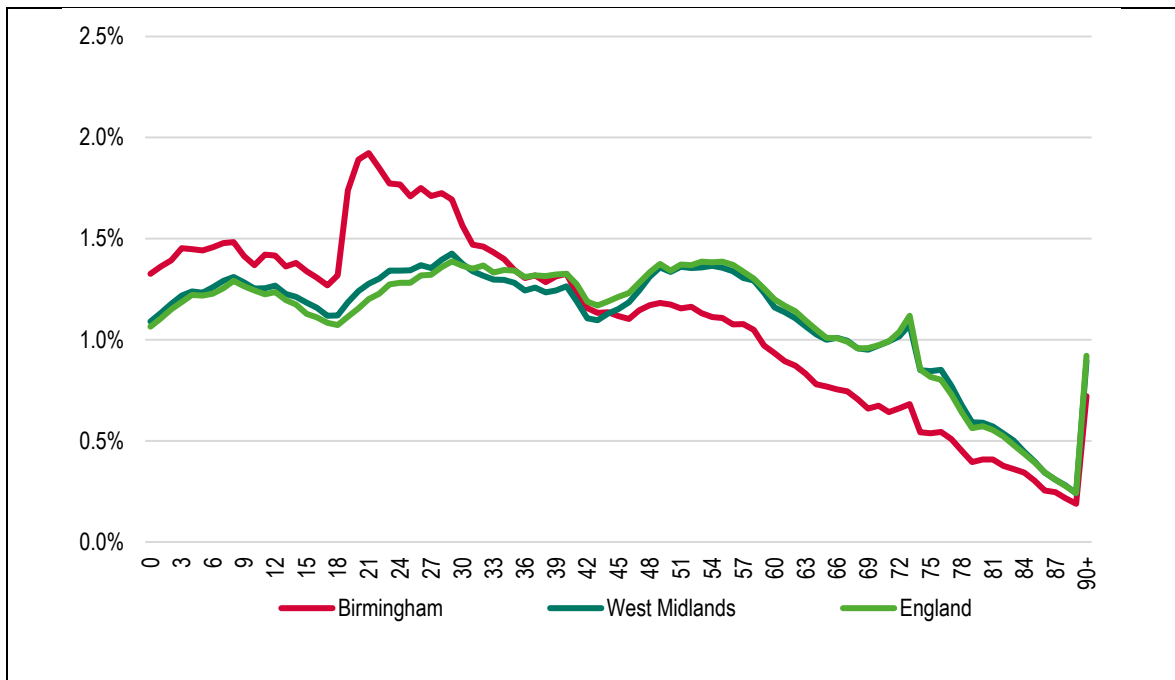
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- 6.6** The analysis below looks at some key statistics about demographic trends in Birmingham; particularly focussing on past population growth and the reasons for changes (components of change). This information is provided to help give some context for analysis to follow.

### Overall Population and Age Structure

- 6.7** As of mid-2020, the population of Birmingham is estimated by ONS to be 1,140,500 with the figure below showing the age structure by single year of age (compared with the regional and national position). From this it is clear that Birmingham has a much younger age structure with more people in all age groups up to about 35 and fewer people from about age 45 onwards. The data also shows a spike in late-teens early 20s which will be related to resident student population.

**Table 6.1 Population profile (2020)**



Source: ONS mid-year population estimates

**6.8** The analysis below summarises the above information (including total population numbers for Birmingham) by assigning population to three broad age groups (which can generally be described as a) children, b) working-age and c) pensionable age). This analysis confirms that, compared with the region and national position, Birmingham has a younger age structure with 23% of the population being age under 16 (compared with 20% nationally) and only 13% aged 65 and over (19% nationally).

**Table 6.2 Population profile (2020) – summary age bands**

	Birmingham		West Midlands	England
	Population	% of population	% of population	% of population
Under 16	257,118	22.5%	19.2%	19.6%
16-64	733,995	64.4%	62.3%	61.7%
65+	149,412	13.1%	18.5%	18.7%
All Ages	1,140,525	100.0%	100.0%	100.0%

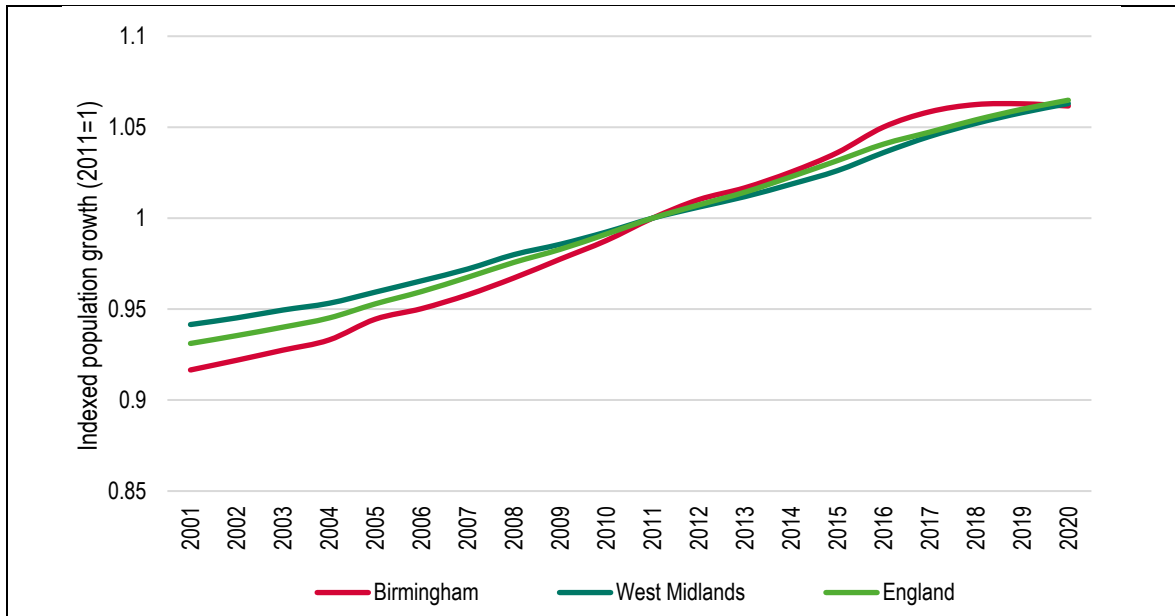
Source: ONS mid-year population estimates

### Past population change

**6.9** The figure below considers population growth in the period from 2001 to 2020 (indexed to 2011). The analysis shows over this period that the population of Birmingham has risen at a similar rate to that seen in other locations (slightly faster growth from 2001-11 and also from 2011-18). In 2020, it

is estimated that the population of the City had risen by 16% from 2001 levels, this is in contrast to a 13% increase regionally and 14% nationally.

**Table 6.3 Indexed population growth (2001-2020)**



Source: ONS (mid-year population estimates)

**6.10** The table below considers population change over the 9-year period to 2020 (a 9-year period being chosen as the start point of 2011 is likely to be fairly accurate as it draws on information in the Census). The analysis shows over the period that the population of Birmingham increased by 6%; a virtually identical level to that seen in other locations.

**Table 6.4 Population change (2011-20)**

	Population (2011)	Population (2020)	Change	% change
Birmingham	1,074,283	1,140,525	66,242	6.2%
West Midlands	5,608,667	5,961,929	353,262	6.3%
England	53,107,169	56,550,138	3,442,969	6.5%

Source: ONS mid-year population estimates

**6.11** The table below shows the level of population growth in four different 5-year periods – these are broadly the periods feeding into each of the last three ONS population projection releases (projections being discussed in more detail below) and also the last 5-years from mid-year estimates for which data is available. The analysis shows there is relatively little difference in the first three past trends, with each of the five-year periods showing population growth of around 50,000 people (about 10,000 per annum). This finding is interesting in the context of the most recent projections (set out in the Standard Method table) showing a lower level of household growth.

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**6.12** However, of arguably greater note is the much lower level of population growth seen over the last five years (2015-20); for this period the increase in population was only 27,600 people – about half that seen in earlier years.

**Table 6.5** Total population growth over a number of different periods

	Total population growth
2009-14 (2014-SNPP)	51,449
2011-16 (2016-SNPP)	53,794
2013-18 (2018-SNPP)	49,184
2015-20 (latest 5-years)	27,575

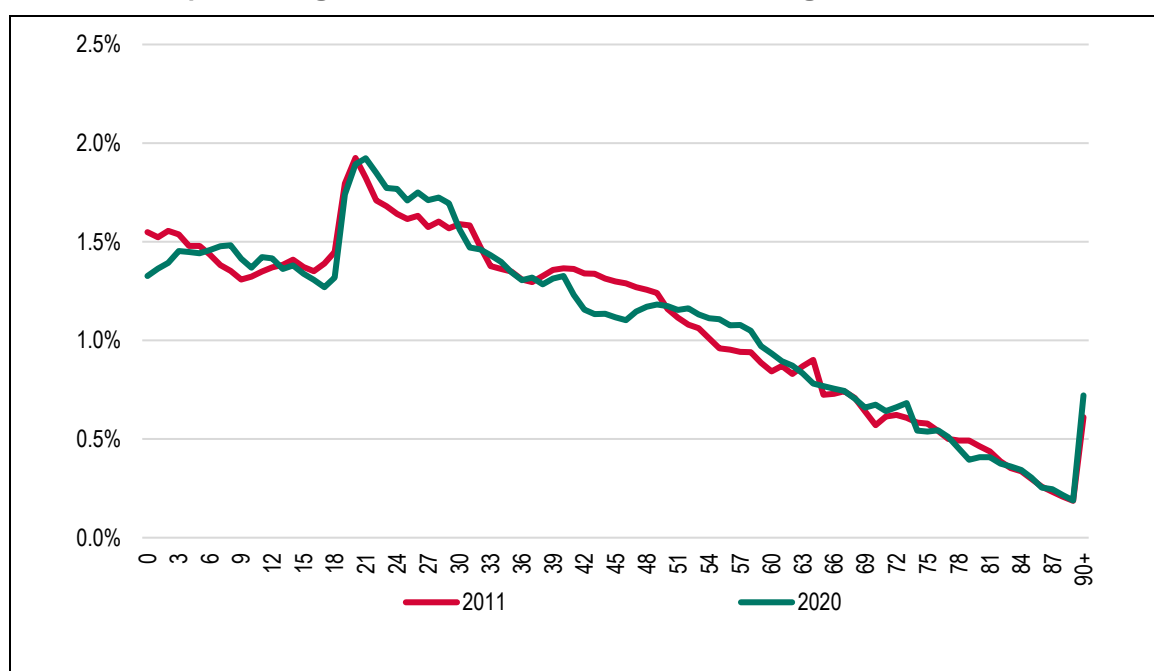
Source: ONS

**6.13** This is despite dwelling completions increasing in the period. However, this might be because delivery has concentrated in smaller units. Also at a national level, there have also been decreasing fertility rates raised mortality rates and decreasing international migration the last of which offset internal out migration.

### Age Structure Changes

**6.14** The figure below shows how the age structure of the population has changed in the 9-year period from 2011 to 2020. Whilst there are some differences seen for some individual age groups, it is the case that the overall structure has not changed markedly over time. Where there are differences, it is often due to cohort effects (i.e. smaller or larger cohorts of the population getting older over time). One notable feature however is the lower proportion of younger children in 2020, which could be related to a lowering of the birth rate (this is discussing in more detail below).

**Table 6.6** Population age structure in 2011 and 2020 – Birmingham



Source: ONS mid-year population estimates

**6.15** This information is summarised into three broad age bands to ease comparison. The table below shows all age groups seeing an increase in population and at not dissimilar rates. The increase in the number of older people is particularly interesting as the change is low in a national context; across England from 2011-20, the number of people aged 65+ increased by 20%. For reference, nationally, the population aged under 16 increased by 8%, along with a 3% rise in people aged 16-64.

**6.16** The scale of the younger population in Birmingham is further illustrated by the fact that nationally there is broad balance between the retirement age population and the school age population. However in Birmingham there are substantially more school age people.

**Table 6.7** Change in population by broad age group (2011-20) – Birmingham

	2011	2020	Change	% change
Under 16	244,996	257,118	12,122	4.9%
16-64	690,517	733,995	43,478	6.3%
65+	138,770	149,412	10,642	7.7%
TOTAL	1,074,283	1,140,525	66,242	6.2%

Source: ONS

### Components of Population Change

**6.17** The table and figure below consider the drivers of population change 2001 to 2020. The main components of change are natural change (births minus deaths) and net migration (internal/domestic and international) but there is also Unattributable Population Change (UPC) and other changes.



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- 6.18** UPC is a correction made by ONS upon publication of Census data if population has been under- or over-estimated (the UPC is only calculated for the 2001-11 period) and “Other change” which includes changes in armed forces personnel mobilised in or out of the City as well as changes to the prison and other institutional population groups such as boarding school pupils.
- 6.19** The data shows a positive level of natural change throughout the period (i.e. more births than deaths). Natural change increased notably from 2001/2 to about 2011/12 but has started to fall in the period to 2019/20. Over the last 5-years, natural change has averaged around 7,500 per annum.
- 6.20** Internal migration has been quite variable – but negative in all years and appearing to have been rising since about 2011; the last five years shows an average of 9,500 people (net) moving from the City to other parts of the United Kingdom.
- 6.21** International migration is also variable, although the data does suggest a positive net level for each year. Over the past five years international migration has averaged about 7,500 people per annum (net).
- 6.22** The data also shows a positive level of UPC. This suggests that between 2001 and 2011, ONS may have initially underestimated population growth within population estimates (and this was corrected once Census data had been published).

**Table 6.8** Components of population change, mid-2001 to mid-2020 – Birmingham

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	4,772	-8,537	7,260	-102	2,349	5,742
2002/3	5,209	-9,481	7,884	-45	2,405	5,972
2003/4	5,834	-10,946	8,580	67	2,485	6,020
2004/5	6,565	-6,941	10,124	-31	2,557	12,274
2005/6	6,946	-7,642	4,184	-11	2,716	6,193
2006/7	7,577	-8,406	6,255	-2	2,754	8,178
2007/8	8,502	-8,262	7,050	-24	2,693	9,959
2008/9	9,049	-5,088	4,562	-69	2,638	11,092
2009/10	8,767	-6,632	6,377	-19	2,509	11,002
2010/11	9,372	-5,514	7,537	-4	1,818	13,209
2011/12	9,608	-3,165	4,454	18	0	10,915
2012/13	9,097	-5,642	3,444	93	0	6,992
2013/14	8,996	-5,137	5,407	65	0	9,331
2014/15	8,111	-4,529	7,901	-54	0	11,429
2015/16	8,697	-4,489	10,840	79	0	15,127
2016/17	8,496	-7,642	8,265	-73	0	9,046
2017/18	7,563	-10,417	7,174	-69	0	4,251
2018/19	7,479	-11,560	4,427	96	0	442
2019/20	5,325	-13,356	6,869	-129	0	-1,291

Source: ONS

- 6.23** When looking at overall population growth, the data shows a decline over the past 5-years or so; in 2015/16 it is estimated that the population of the City grew by 15,100 (the biggest single year increase over the period studied), but by 2019/20 there was actually a modest population decline – the only year from which a reduction is recorded. The population decline has been driven by a reduction in natural change and an increase in net migration from the City to other parts of the UK.

**Table 6.9** Components of population change, mid-2001 to mid-2019 – Birmingham

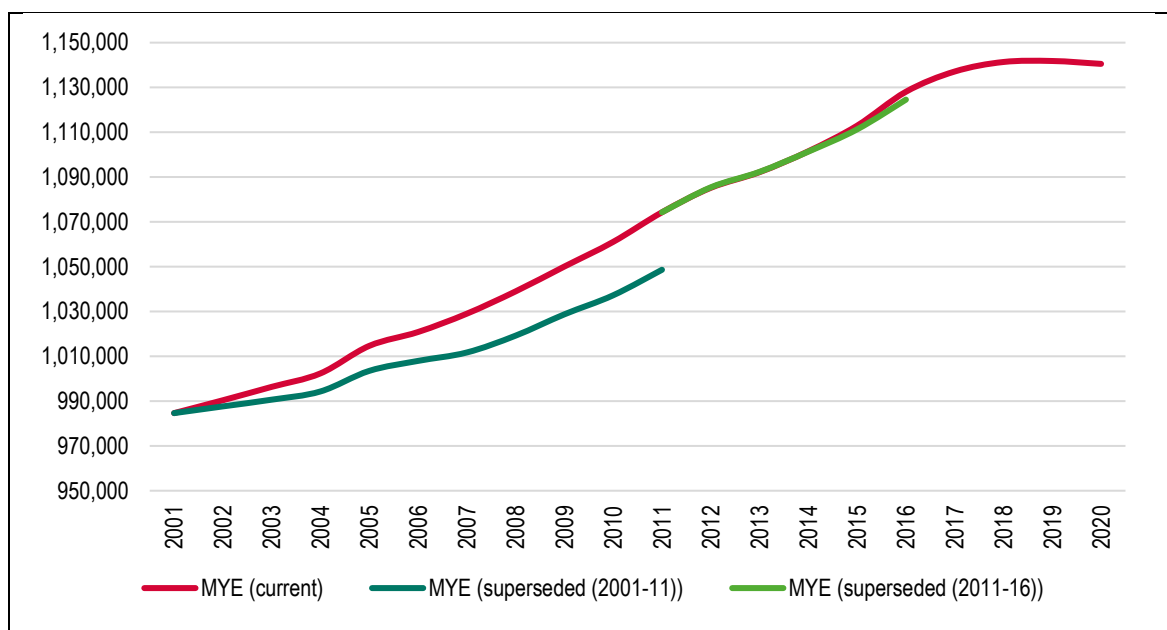
Graph as described in text
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Source: ONS

- 6.24** As noted, the UPC element in Birmingham is notable (accounting for nearly 25,000 people over the 2001-11 period) and it is of interest to see what impact this had on the ONS pre-Census estimates of population growth. It is also the case that as of the 2016 MYE, ONS revised figures (back to 2011) to take account of improvements to the measurement of migration (particularly of students). The figure below therefore sets out this data.

**6.25** The analysis shows that ONS was under-reporting population growth in the 2001-11 period and then made a correction (which was backdated) when 2011 data became available. Moving forward from 2011 to 2016, ONS initially also appear to have slightly under-estimated population growth – although differences between the original and current MYE are very minor.

**Table 6.10** Current mid-year population estimates (MYE) and earlier estimates – Birmingham



Source: ONS

### Further Focus on Migration Trends

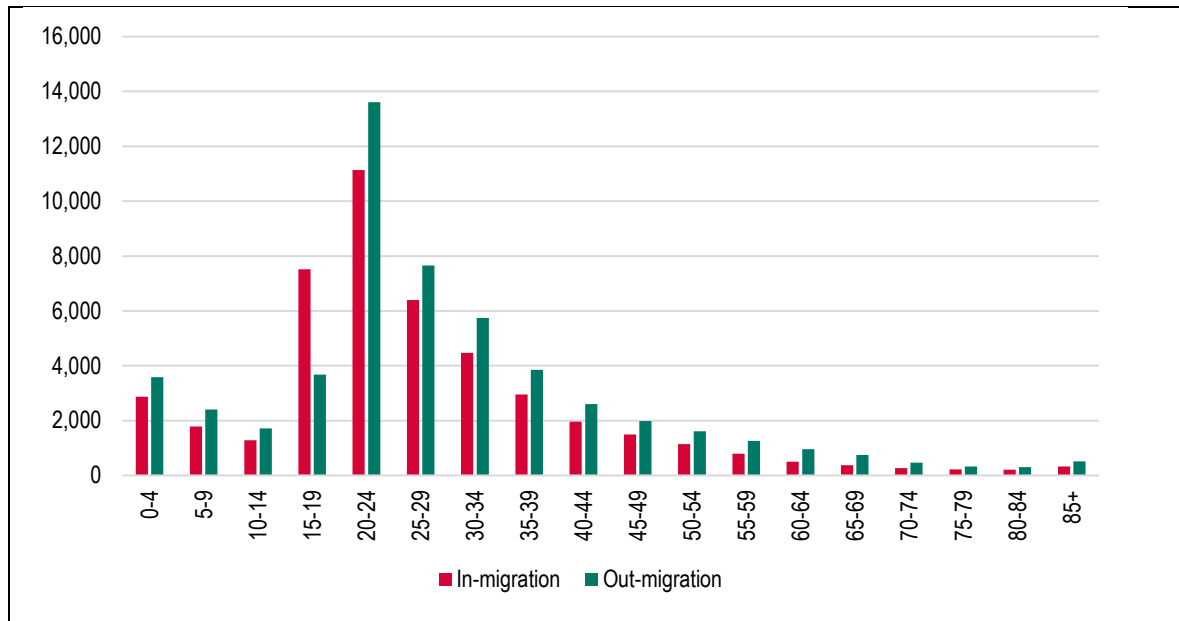
**6.26** The analysis below looks at some of the migration trends shown above in more detail, looking separately at in- and out-migration and also internal vs. international migration; analysis is also provided to look at changes over time, particularly with regard to the changing level of internal migration which has seen greater numbers of people moving from the City over the past few years.

#### Internal Migration

**6.27** The two figures below look at the age structure of internal migration, the first figure looking at in- and out-migration separately and the second figure considering the net position. Data is taken as an average for the 2011-20 period. The analysis shows that people aged 20-24 are the most migrant (highest figures for both in- and out-migration) and this (along with the 15-19 age group) will have a student influence.

**6.28** Overall, the analysis shows low levels of migration in older age groups. When looking at net migration, the data shows a strong in-migration in the 15-19 age group (related to students) and then a net out-migration for all other age groups peaking for those aged 20-24, again linked to people leaving the City after graduation.

**Table 6.11** Internal in- and out-migration to/from Birmingham (annual averages for 2011-20 period)



Source: ONS

**Table 6.12** Net internal migration to/from Birmingham (annual averages for 2011-20 period)



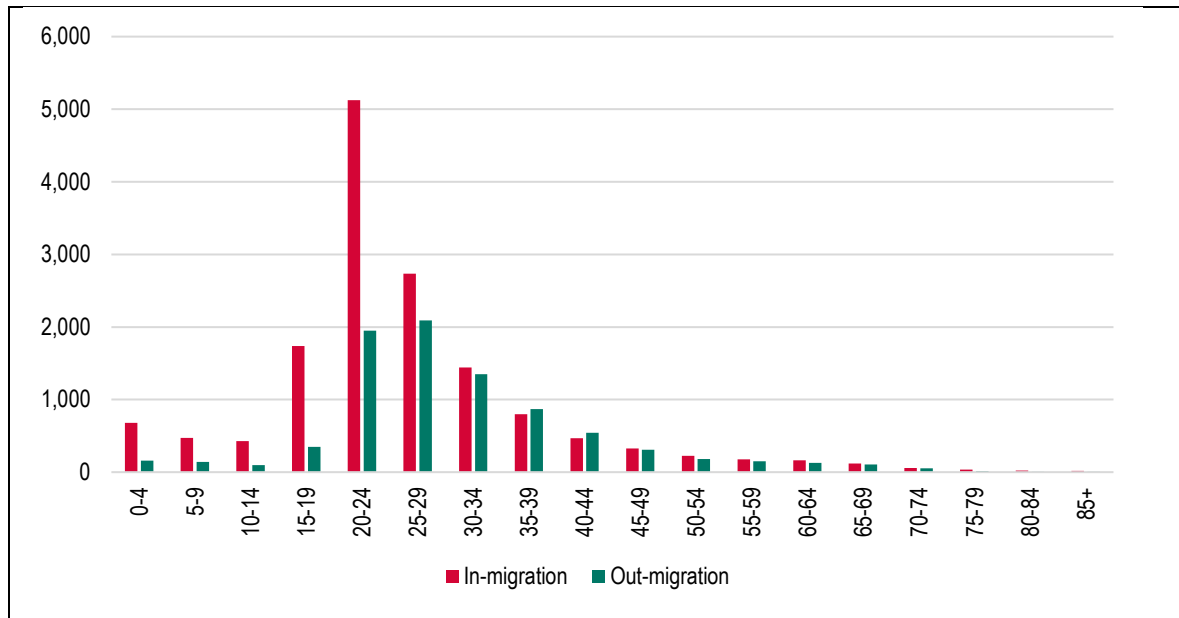
Source: ONS

International migration

**6.29** The two figures below show the same information for international migration. Again, the analysis shows the strongest migration to be in the 20-24 age group (also those aged 25-29) with relatively low levels of migration in other age groups. In net terms, the analysis shows strong population increase due to a net in-migration of people aged 20-24 – this age group making up around half of

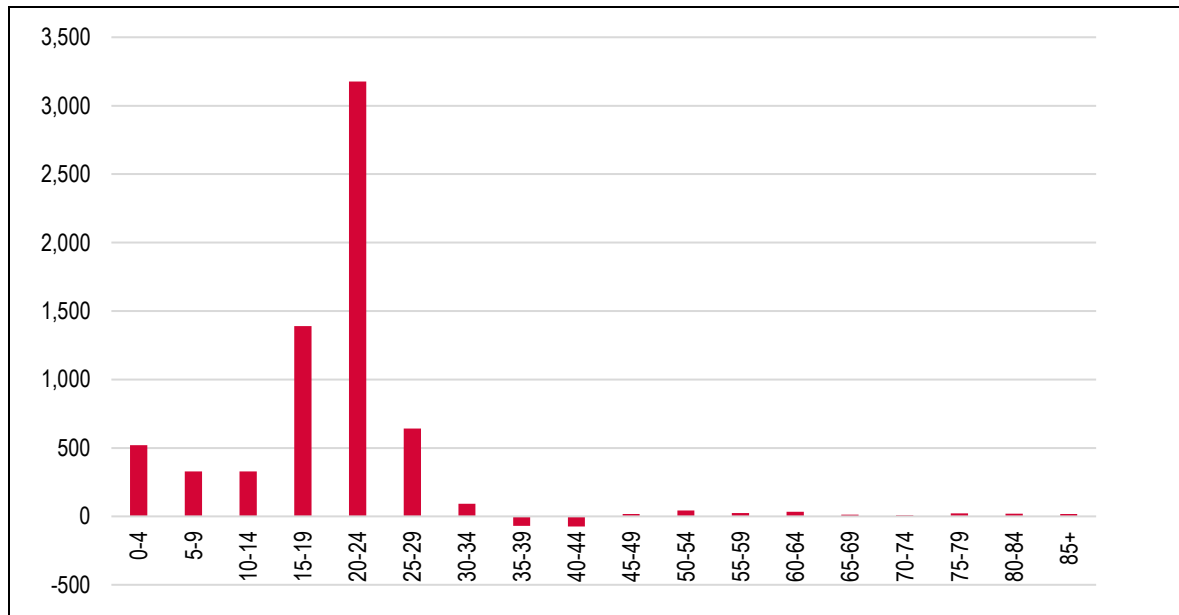
all net international migration to the City. The analysis also shows a small net out-migration of people aged 35-44 with very modest net changes for all age groups from 50+.

**Table 6.13 International in- and out-migration to/from Birmingham (annual averages for 2011-20 period)**



Source: ONS

**Table 6.14 Net international migration to/from Birmingham (annual averages for 2011-20 period)**

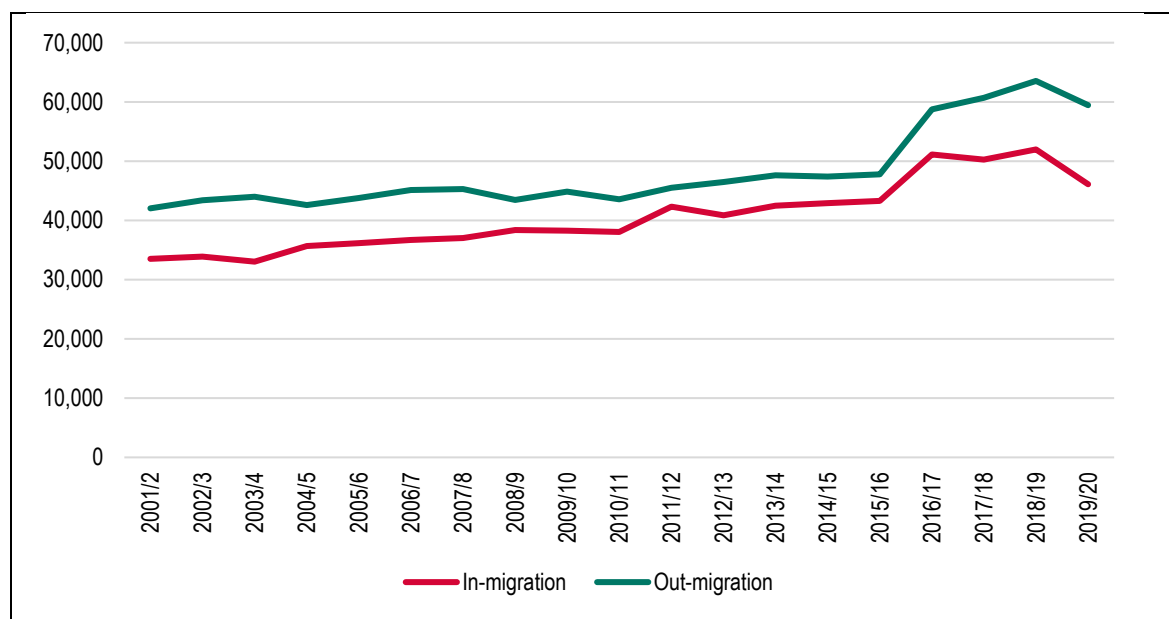


Source: ONS

**6.30** Previous analysis has shown a notable change in levels of internal net migration from the City (increasing in recent years) and the analysis below looks in a bit more detail at the components of

this change. Firstly, the figure below shows internal in- and out-migration from 2001 to 2020. The analysis shows a generally closing gap between in- and out-migration from 2011 up until about 2016; since then the number of out-migrants has gradually outstripped the number of in-migrants by an increasing amount each year. Both in- and out-migration appears to have jumped from 2016, and this may be due to the changes in methods used by ONS to measure migration. Regardless, the recent widening of the gap between in- and out-migration can clearly be seen on the figure.

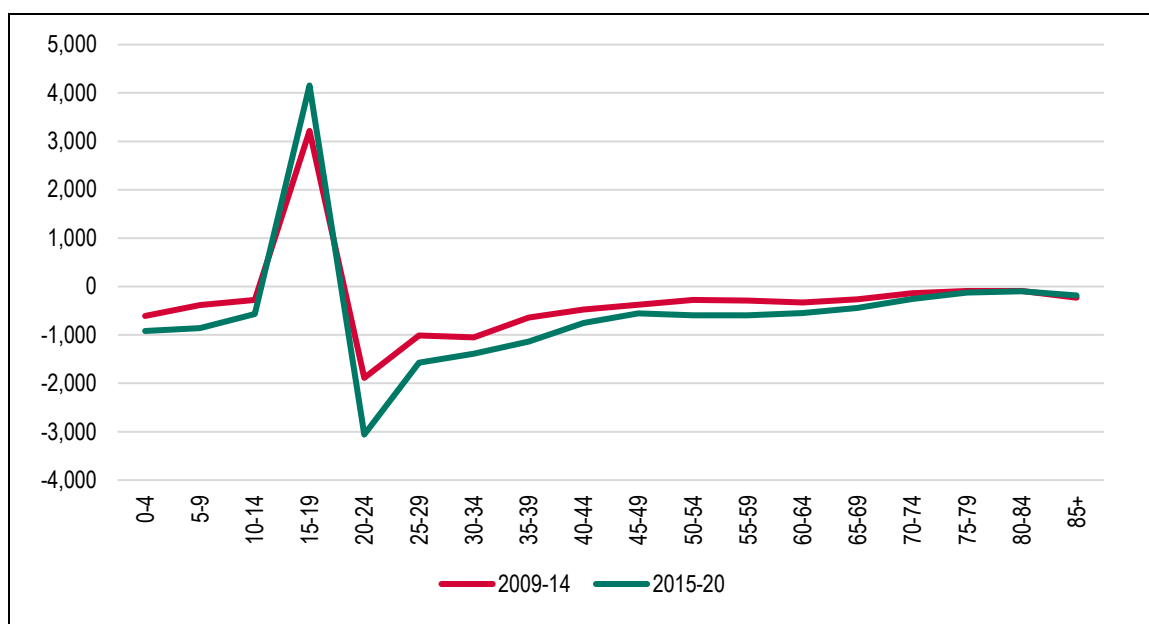
**Table 6.15 Trends in gross internal in- and out-migration to/from Birmingham (2001-20)**



Source: ONS

- 6.31** With the changing level of net migration, it is of interest to see if there has been any change in the age profile of migration. The analysis below looks at net migration of the five year period to 2014 (as this would be the period feeding into the 2014-based SNPP/SNHP) and also the latest five years for which there is data (2015-20). This analysis shows that the lower net migration appears to be focussed on age groups from 20 onwards and is likely to be related to family households (given the changes seen to the 0-15 age groups).
- 6.32** The analysis is also interesting for showing a net increase in migration of people in the 15-19 age group (which as noted previously will to some extent be related to the student population). There is also a much greater net loss in those aged 20-29 suggesting graduate retention is likely to have fallen. Further analysis of internal migration trends can be found later in this document.

**Table 6.16** Age structure of net internal migrants in Birmingham (2 time periods studied)



Source: ONS

### Other measures of past population growth

- 6.33** The analysis above has focussed on data from the ONS mid-year population estimates (MYE). It is possible to contrast estimates of population growth in this source with other measures – the main one being the Patient Register (PR). The table below shows estimated population growth in both the MYE and the PR – data is shown for Birmingham, the West Midlands and England.
- 6.34** In Birmingham, the MYE shows population change of 6.2% in the 2011-20 period, whereas the PR is higher (at 13.1%). However, it is notable in all the areas studied that the PR shows higher estimated growth although the difference for Birmingham is slightly greater than for other locations (for example, for England the MYE shows 6.5% growth, but the PR is at 10.0%).
- 6.35** It is difficult to draw firm conclusions from this data, although if the general trends of the PR showing higher growth were to apply more generally to smaller areas, then it is arguable that the MYE is showing population growth in Birmingham that is too low – it is however difficult to be certain.
- 6.36** On balance, it is not considered that the analysis of PR data shows anything sufficiently compelling to suggest setting aside the MYE, either in terms of current population estimates, or trend levels of growth. This analysis can therefore be seen as mainly included for reference purposes although it will be interesting for this data to be checked when new information starts to filter through from the 2021 Census.

**Table 6.17 Comparing ONS mid-year population estimates with estimates of population from the Patient Register**

		2011	2020	Change	% change
Birmingham	MYE	1,074,290	1,140,550	66,260	6.2%
	Patient Register	1,146,670	1,297,090	150,420	13.1%
West Midlands	MYE	5,608,680	5,961,970	353,290	6.3%
	Patient Register	5,807,710	6,350,570	542,860	9.3%
England	MYE	53,107,200	56,550,160	3,442,960	6.5%
	Patient Register	55,312,750	60,870,990	5,558,240	10.0%

Source: ONS

### 2018-based Subnational Population Projections (SNPP)

**6.37** The latest (2018-based) set of subnational population projections (SNPP) were published by ONS in March 2020 (replacing a 2016-based release). The projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2018-based national population projections.

**6.38** The 2018-based SNPP contain a number of assumptions that have been changed from the 2016-based version, these assumptions essentially filtering down from changes made at a national level. The key differences are:

- ONS' long-term international migration assumptions have been revised upwards to 190,000 per annum compared to 165,000 in the 2016-based projections. This is based on a 25-year average;
- The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.78 compared to 1.84 in the 2016-based projections; and
- Life expectancy increases are less than in the 2016-based projections as a consequence of the continued limited growth in life expectancy over the last two years.

**6.39** As well as providing a principal projection, ONS has developed a number of variants. In all cases the projections use the same fertility and mortality rates with differences being applied in relation to migration. The key variants in terms of this assessment can be described as:

- Principal projection
- an alternative internal migration variant
- a 10-year migration variant



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- 6.40** In the principal projection, data about internal (domestic) migration uses data for the past 2-years and data about international migration from the past 5-years. The use of 2-years data for internal migration has been driven by ONS changing their methodology for recording internal moves, with this data being available from 2016 only.
- 6.41** The alternative internal migration variant uses data about migration from the last 5-years (2013-18), as well as also using 5-years of data for international migration. This variant is closest to replicating the methodology used in the 2016-based SNPP although it does mean for internal migration that data used is collected on a slightly different basis.
- 6.42** The 10-year migration variant (as the name implies) uses data about trends in migration over the past decade (2008-18). This time period is used for both internal and international migration.
- 6.43** The table below shows the outputs from each of these three variant scenarios along with comparisons from the 2016- and 2014-based SNPP. This shows that the 2018-based principal projection shows projected population growth of 7.4%, with the alternative internal migration scenario being slightly higher than this (10.9%) – the 10-year trend variant shows similar growth (at 10.1%). Population growth in the 2016-based projections is higher than any of the 2018-based variants whilst the 2014-based projection shows the highest population projection of any of the scenarios studied.
- 6.44** The comparison with the 2014-based SNPP is particularly important as it underpins the 2014-based SNHP which is used in the Standard Method, and the higher population growth is also notable given that the past trends feeding into the projections were previously shown to be similar regardless of the 5-year trend periods studied).

**TABLE 6.18 PROJECTED POPULATION GROWTH (2020-2040) – BIRMINGHAM – RANGE OF SNPP RELEASES**

	Population 2020	Population 2040	Change in population	% change
2018 (principal)	1,152,785	1,238,645	85,860	7.4%
2018 (alternative internal)	1,158,041	1,284,680	126,640	10.9%
2018 (10-year trend)	1,156,486	1,273,437	116,951	10.1%
2016-based	1,164,429	1,306,841	142,412	12.2%
2014-based	1,157,697	1,312,009	154,313	13.3%

Source: ONS

**6.45** As noted, the 2018-based SNPP has three main scenarios and rather than provide data from all three, the analysis below looks at a demographic scenario. In this case it is considered that the alternative internal migration variant is likely to be the most robust in a local context. This has been chosen as it is considered that the principal SNPP has too short a data period when looking at internal migration whilst the 10-year alternative is not thought likely to reflect recent changes and may include some influence from the economic downturn/credit crunch of 2008 (given that the 10-year period will be 2008-18).

**6.46** The table below shows projected population growth from 2020 to 2040 (using alternative internal migration assumptions) in Birmingham and a range of comparator areas. The data shows that the population of the City is projected to increase at a slightly faster rate than seen in the region or nationally. It should be noted with lower levels of population growth shown in the MYE to 2020, that the estimated population in the SNPP (in 2020) is higher than now estimated by ONS. When developing bespoke projections for use in this report (see later in this section) the analysis does however recognise this difference and rebases figure to the MYE for 2020.

**Table 6.19 Projected population growth (2020-2040) – 2018-based SNPP (alternative internal migration assumptions)**

	Population 2020	Population 2040	Change in population	% change
Birmingham	1,158,041	1,284,680	126,640	10.9%
West Midlands	5,979,590	6,563,592	584,003	9.8%
England	56,678,470	61,157,868	4,479,398	7.9%

Source: ONS

**6.47** With the overall change in the population will also come changes to the age profile. The table below summarises findings for three broad age groups. The largest growth will be in people aged 16-64 (increasing by 68,200) although the largest proportionate increase is projected for the 65 and over

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age groups (increasing by 32% over 20-years). There is also projected to be a modest increase in the number of children – increasing by 4% over the period studied.

**Table 6.20 Population change 2020 to 2040 by broad age bands – Birmingham (2018-based SNPP – alternative internal migration assumptions)**

	Population 2020	Population 2040	Change in population	% change
Under 16	262,032	271,866	9,834	3.8%
16-64	745,258	813,460	68,202	9.2%
65 and over	150,751	199,354	48,604	32.2%
Total	1,158,041	1,284,680	126,640	10.9%

Source: ONS

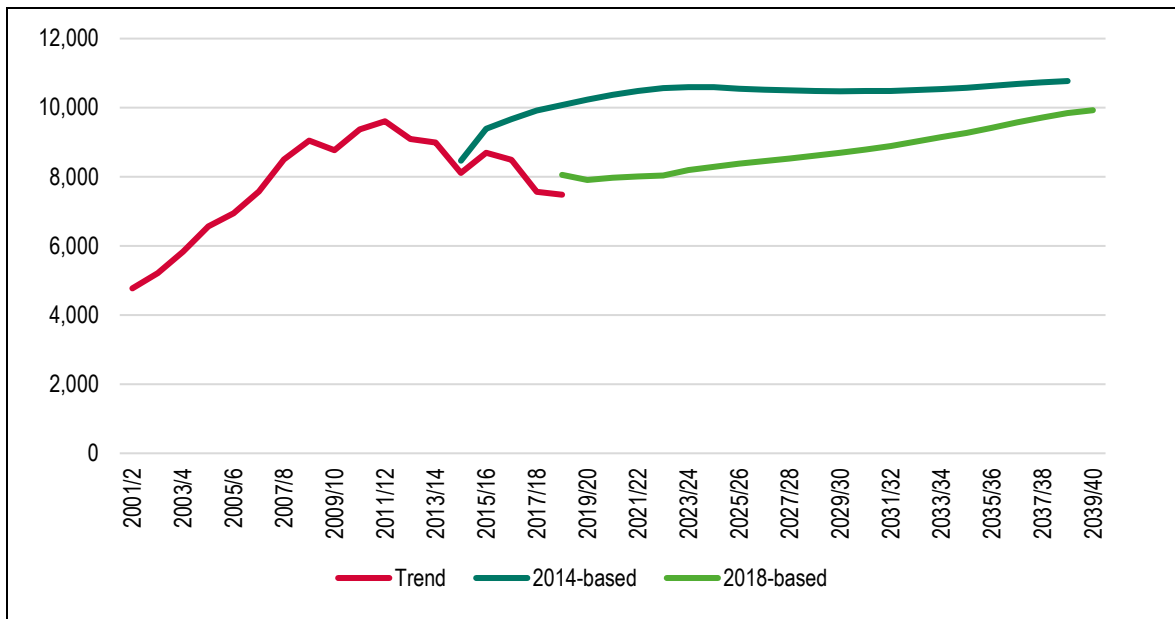
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## Comparing 2014- and 2018-based SNPP

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- 6.48** The analysis above showed that projected population growth in the 2014-based SNPP is somewhat higher than in the 2018-based version. It is of interest to see what reasons there are for the differences. Essentially this means looking at the components of population change – natural change (births minus deaths) and migration.
- 6.49** The figure below shows past trends in natural change and also projected figures from both the 2014-based and 2018-based projections. From this it is clear that natural change has been declining and the 2018-based SNPP project this to continue in the future. For the 2014-based SNPP, natural change is projected to be somewhat higher and can already be seen to be too high in comparison to estimates made by ONS over the past couple of years.
- 6.50** Given that the latest projections build in trends towards lower fertility rates and lower improvements to life expectancy, the difference between the two projections is to be expected and does point to the 2018-based projections being more realistic in terms of a trend-based projection. It should however be noted that the trends observed for Birmingham below are not unique to the City and are replicated for most local authorities across the country.
- 6.51** As shown below, the 2014-SNPP projected for natural change to be 200,600 people in the 2020-39 period (and end date of 2039 is used as that is the end date of those projections) whilst the 2018-SNPP shows 166,900, this is a difference of 33,700 people over a 19-year period (average of around 1,800 per annum).
- 2014-based (2020-39) = 200,600
  - 2018-based (2020-39) = 166,900
  - Difference = 33,700

**TABLE 6.20 TRENDS AND PROJECTED NATURAL CHANGE IN BIRMINGHAM**



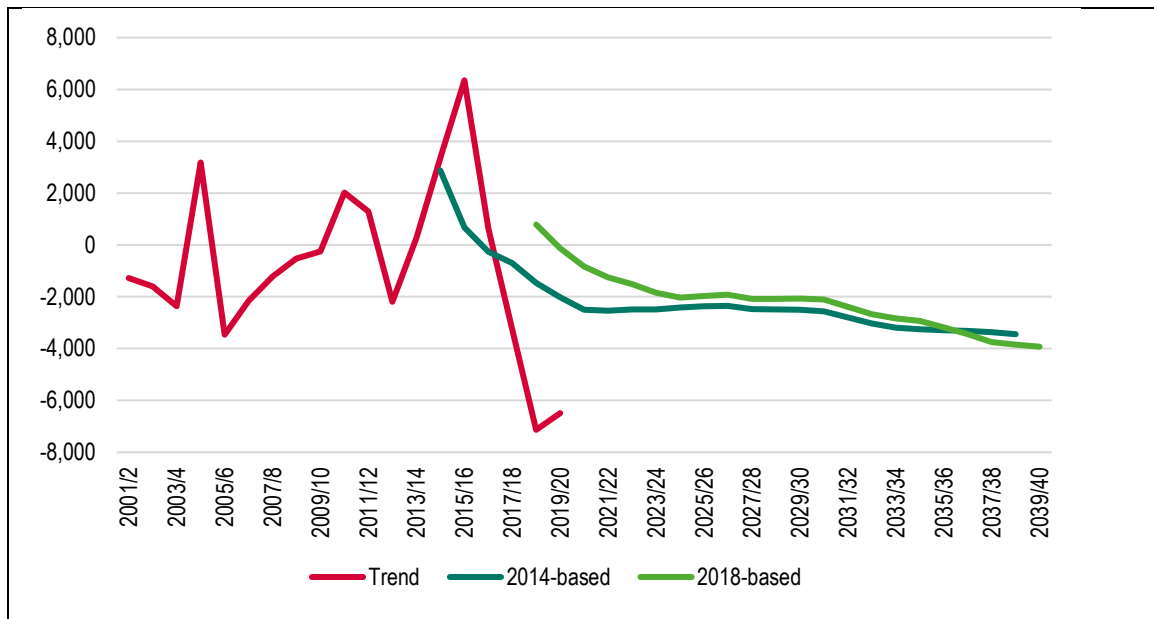
Source: ONS

**6.52** For migration, the analysis below looks at trends in net migration, this combines figures for internal, cross-border and international migration. The figure below suggests that projected migration levels are fairly similar regardless of the projection studied (slightly higher in the 2018-based projections) and it is therefore arguable that a fairly consistent trend can be observed. This would suggest (as with the analysis for natural change) that the 2018-based SNPP are broadly sound from a demographic perspective.

**6.53** The bullet points below shows that the 2014-SNPP projected a net out-migration of 52,900 people (2020-39) compared with 44,800 in the 2018-SNPP – this is a difference of 8,100 people (about 400 per annum) with the latest projections actually being higher (less negative) than the 2014-SNPP:

- 2014-based (2020-39) = -52,900
- 2018-based (2020-39) = -44,800
- Difference = 8,100 (higher in 2018-SNPP)

**Table 6.20 Past trends and projected net migration in Birmingham**



Source: ONS

- 6.54** The chart above does also show the widely varying levels of trend net migration on a year by year basis, and it is of interest to see how overall averages vary in different projections and by time period. The table below shows a trend analysis and also projected levels of net migration from the 2014- and 2018-based projections. This tends to show that the projections have higher levels of net out-migration than is typically observed in past trends, the main exception is when looking at the most recent past trends (2015-20) and compare these with short-terms trends in the 2018-SNPP.
- 6.55** That said, looking over the longer-term the 2018-SNPP is projecting a similar scale of net out-migration as the recent trends show. Overall, the projected levels of migration do not look unreasonable in the context of past trends and do not suggest that there is anything wrong with the projections developed by ONS.
- 6.56** To understand the table below, the trend data is all looking at the period to 2020 – so for example, the 10-years row is the average net migration in the 2010-20 period. For the projections, all data is from 2020, so a 10-year period will be the average from 2020 to 2030.

**Table 6.21 Trend and projected levels of net migration (different time periods and projections) – data all to- and from-2020**

	Trend	2014-based	2018-based
15-years	-849	-2,630	-2,037
10-years	-513	-2,461	-1,762
5-years	-1,978	-2,485	-1,499

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Source: ONS

- 6.57** More recent population projections for Birmingham project lower population growth than the 2014-based SNPP which currently feeds into the Standard Method. This is largely a function of weaker natural change, with women having fewer children and higher levels of deaths than predicted in the 2014-based SNPP (although this factor is not unique to Birmingham). It is the case that net migration in the 2014-based SNPP is slightly lower than the 2018-SNPP, although overall migration in either of the projections studied does align reasonably well with past trends.
- 6.58** Overall, it is considered that the analysis does not provide a locally-specific rationale for deviating from the Standard Method although the lower migration and population growth seen since 2018 (and not captured by the most recent projections) is noteworthy and discussed in more detail below.
- 6.59** As noted, the Government decided to amend the Standard Method so that the most recent (2018-based at the time of writing) SNHP are disregarded in favour of using the 2014-based version as a start point. There is some good logic for this as the 2018-based projections do seem to potentially be building in additional suppression of household formation (discussed below), however, it is considered that the 2018-based SNPP (i.e. the population data) should not be so readily disregarded – this is particularly because of the changes made to fertility and mortality rates which reflect recently observed trends.

### **Household Representative Rates (Household Formation)**

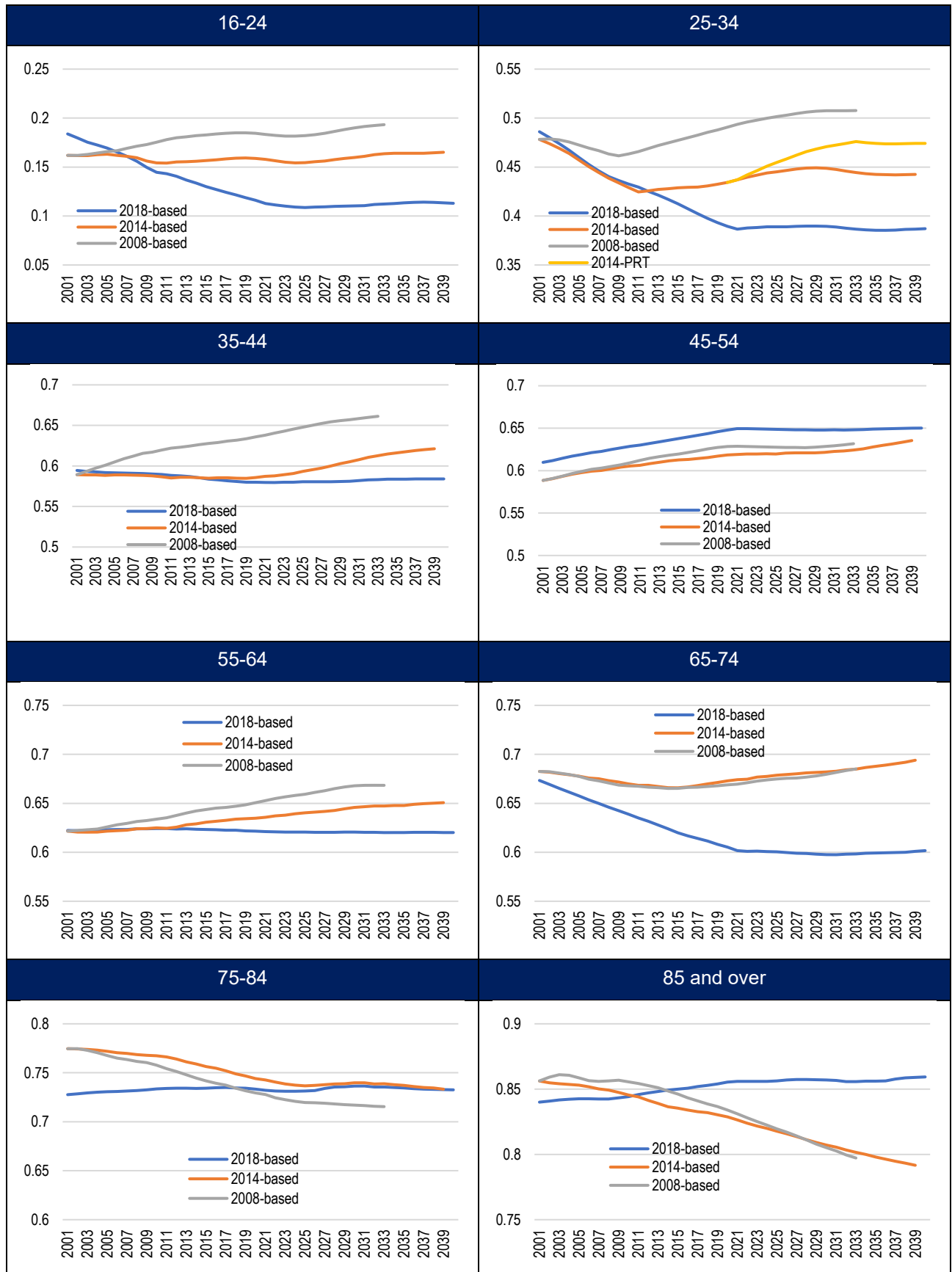
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- 6.60** Having studied the population size and age structure changes, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- 6.61** The latest HRRs are contained in the ONS 2018-based subnational household projections (SNHP). It would be fair to say that recent SNHP (since the 2016-based release) have come under some criticism, this is largely because they are based only on data in the 2001-11 Census period which would suggest that it builds in the suppression of household formation experienced in that time.
- 6.62** This suppression can be seen in the figure below, and particularly for the 25-34 age group where there was a notable drop in formation rates from 2001 to 2011, and ONS are projecting this forward as far as 2021 (following which the rate is held broadly stable). While this can be linked to affordability there will also be an element of growing diversity within the population. Specifically, some cultures typically see larger, multi-generational households which would suppress HRRs.

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- 6.63** Given the criticisms of the 2018-SNHP a sensitivity analysis has been developed that applies the HRRs from an earlier (2014-based) release. The rates from this projection are also shown on the figures below and clearly identify less suppression being built into future projections.
- 6.64** The 2014-based data has the advantage of using more data points for analysis (looking back to 1971). It should also be noted that the 2014-based figures do take a different approach to establishing the households reference person. In the 2014-SNHP a male is taken as a default HRP where there is a couple household (of different sexes) whereas the 2018-SNHP uses the Census definition of a HRP which takes account of the economic activity and age of people in a household.
- 6.65** As well as looking at the 2014-based SNHP, a sensitivity test has been developed to look at an alternative approach to HRRs. In this sensitivity, a 'part-return-to-trend' analysis has been developed, where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version. This adjustment has only been applied to the 25-34 age group, as it is only this group where the data points to a clear suppression. Note that both the 2014-based and 2018-based projections start with the Census as a base date and project from this point on a slightly different basis.
- 6.66** A similar approach was widely used prior to the 2016-based SNHP being published and was an approach previously suggested by the Local Plans Expert Group (LPEG) – the LPEG approach also made an adjustment for the 35-44 age group, but this is not considered appropriate for Birmingham as the analysis in the figure below does not highlight any suppression, particularly when looking forward to 2040.
- 6.67** Therefore, three HRR scenarios have been used as described below:
- Linking directly to 2018-based SNHP – 2018-SNHP HRRs;
  - Linking directly to 2014-based SNHP – 2014-SNHP HRRs; and
  - Linking to the 2014-based SNHP but with a part-return to previous trends for the 25-34 age group – 2014-PRT
- 6.68** To be clear, in looking at these three scenarios it is considered that the 2018-SNHP are not a robust set of rates to use – this conclusion is reached mainly on the basis of potential suppressed formation in younger age groups and consideration of the projected rates in older age groups. It is also noted that these figures have been rejected by MHCLG for use as part of the Standard Method; they are however the most recent published data.



**Table 6.22 Projected Household Representative Rates by age of head of household – Birmingham (2014- and 2018-based SNHP)**



Source: Derived from ONS and CLG data

**6.69** The 2014-SNHP data are considered to be reasonably robust but may include some small degree of suppression of household formation in younger age groups (although this is less clear cut than in the 2018-based release). The part-return to trend (2014-PRT) is also considered to be a reasonably robust set of figures, taking account of an apparent suppression in the formation of households from the population aged 25-34.

### Household Growth

**6.70** The table below shows estimates of household growth with the various HRRs and an estimate of the number of additional dwellings this might equate to. The figures link to population growth in the 2018-based SNPP (alternative internal migration variant).

**6.71** To convert households into dwellings the analysis includes an uplift to take account of vacant homes. For the purposes of analysis, it has been assumed that the number of vacant homes in new stock would be 3% higher than the number of occupied homes (which is taken as a proxy for households), and hence household growth figures are uplifted by 3% to provide an estimate of housing need. This figure is a fairly standard assumption when looking at vacancy rates in new stock and will allow for movement within the housing stock.

**6.72** The analysis shows an overall housing need for 3,227 dwellings per annum (dpa) across the City when using the 2018-based SNHP as the underlying household projection. This figure increases to 4,529 dpa with an adjustment to the formation rates of the population aged 25-34. Using the 2014-based HRRs (i.e. the rates which will underpin the Standard Method) the housing need is some 4,106 dwellings per annum. It is notable that all of these figures are well below the current Standard Method (which averages 6,750 dpa) – albeit these figures are prior to uplifts for affordability and Urban Centres.

**Table 6.23 Projected housing need – range of household representative rate assumptions – Birmingham (linked to 2018-based SNPP)**

	Households 2020	Households 2040	Change in households	Per annum	Dwellings (per annum)
2018-HRRs	426,999	489,650	62,651	3,133	3,227
2014-HRRs	448,074	527,799	79,725	3,986	4,106
2014-PRT	448,074	536,014	87,940	4,397	4,529

Source: Demographic projections

**6.73** The table above showed projections for the 2020-40 period but in terms of the Standard Method a shorter (10-year) period would be used. The table below therefore looks at household growth for the 2021-31 period (not including a vacancy allowance). Focusing on the 2014-HRRs row it can be seen that the household growth would be 4,140 and if translated into a Standard Method calculation would

give a need figure of 6,140 dpa. This is the figure based on the latest population projections, but with the former (2014-based) HRRs attached.

**Table 6.24 Household growth – range of household representative rate assumptions – Birmingham (linked to 2018-based SNPP)**

	Households 2021	Households 2031	Change in households	Per annum
2018-HRRs	429,041	460,627	31,586	3,159
2014-HRRs	452,409	493,806	41,396	4,140
2014-PRT	452,409	498,834	46,424	4,642

Source: Demographic projections

### Demographics Across the Wider HMA

**6.74** The analysis above has focussed on demographic dynamics in Birmingham, it is however of interest to look at similar data across the HMA, considering the interaction between the areas and also looking at the most recent trends (which for Birmingham have seen a decline in net migration (increased out-migration) and much lower levels of population growth (a population decline in 2019-20). For clarity, the HMA is considered to be made up of the following local authorities:

- Birmingham
- Bromsgrove
- Cannock Chase
- Dudley
- Lichfield
- North Warwickshire
- Redditch
- Sandwell
- Solihull
- South Staffordshire
- Stratford-upon-Avon
- Tamworth
- Walsall
- Wolverhampton

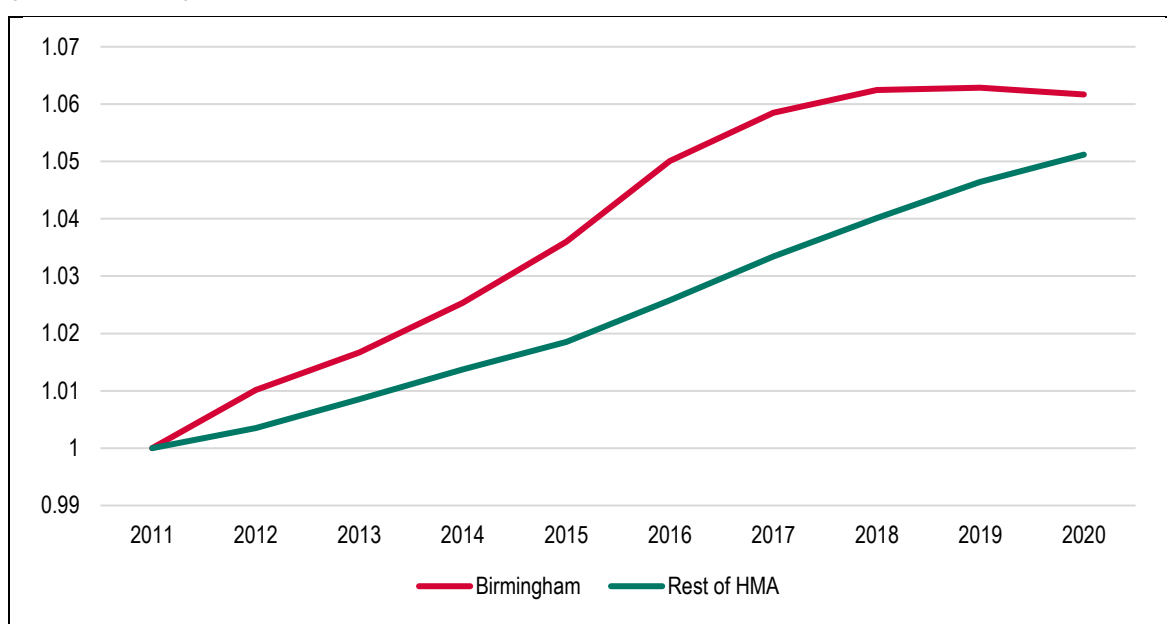
**6.75** The table and figure below look at overall population change in the 2011 to 2020 period in Birmingham and a Rest of HMA area (taken to be all the authorities listed above minus Birmingham). In the figure the population growth has been standardised to a 2011 base and clearly shows the population of Birmingham rising at a faster rate than the rest of the HMA, but at a declining rate since about 2016, and more notably from 2018. In the Rest of HMA area, population growth looks to have been fairly steady over time.

**Table 6.25 Population growth since 2011 in Birmingham and the Rest of the HMA**

	Birmingham	Rest of HMA
2011	1,074,283	2,093,204
2012	1,085,198	2,100,565
2013	1,092,190	2,111,064
2014	1,101,521	2,121,893
2015	1,112,950	2,131,952
2016	1,128,077	2,147,182
2017	1,137,123	2,163,150
2018	1,141,374	2,177,258
2019	1,141,816	2,190,409
2020	1,140,525	2,200,360
2011 to 2020 change	66,242	107,156
2011 to 2020 % change	6.2%	5.1%

Source: ONS

**Table 6.26 Population growth since 2011 in Birmingham and the Rest of the HMA (standardised)**



Source: ONS

- 6.76** It is interesting to understand the population trends in terms of the components of change with analysis below looking separately at internal/international migration and natural change.
- 6.77** For internal migration, the table and figure below show annual estimates of net migration – in the figure there are two different scales to allow for a better comparison between the areas. The analysis appears to show a clear trend; in Birmingham net internal out-migration has been steadily increasing over time and particularly since 2016, with the opposite pattern being seen in the Rest of HMA area.

**6.78** Just taking the first and last figures in the table, it can be seen that Birmingham lost 3,200 people to other parts of the Country in 2011/12, and by 2019/20 this had increased to 13,400 – a difference of 10,200. For the Rest of HMA area, the 2011/12 period also saw a net out-migration to other parts of the Country (of 3,700) but by 2019/20 there was a net in-migration of 4,000 people – this is a difference of 7,700 people in the opposite direction to Birmingham.

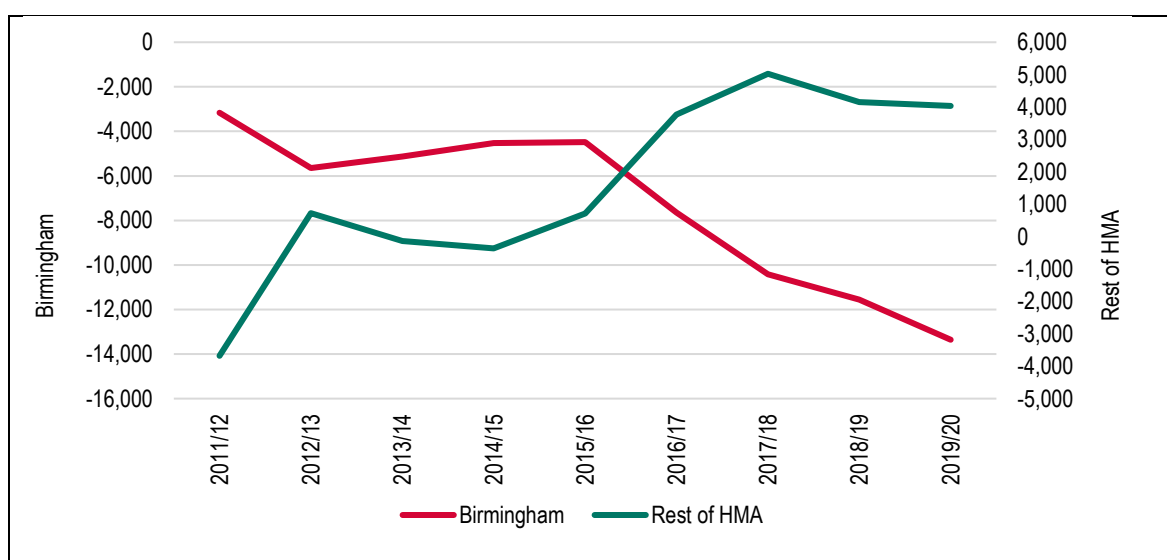
**6.79** This analysis does appear to show a clear trend in internal migration, and in particular from 2016, with net migration from Birmingham increasing, along with and net migration to the rest of HMA going up.

**Table 6.18** Net internal migration since 2011 in Birmingham and the Rest of the HMA

	Birmingham	Rest of HMA
2011/12	-3,165	-3,679
2012/13	-5,642	723
2013/14	-5,137	-138
2014/15	-4,529	-361
2015/16	-4,489	717
2016/17	-7,642	3,771
2017/18	-10,417	5,027
2018/19	-11,560	4,155
2019/20	-13,356	4,038

Source: ONS

**Table 6.19** Net internal migration since 2011 in Birmingham and the Rest of the HMA



Source: ONS

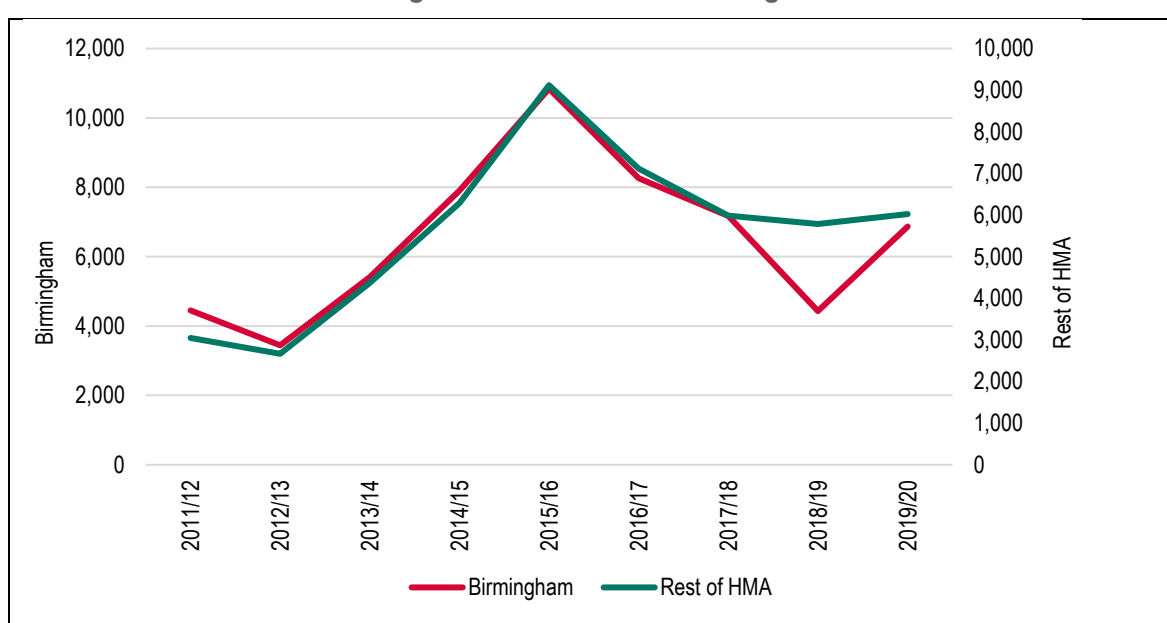
**6.80** For international migration (see table and figure below) there are no clear-cut trends when comparing Birmingham and the Rest of HMA area – indeed whilst levels of international migration have been variable, it is the case that (with the exception of 2018/19) the two areas see data that broadly track each other.

**Table 6.20** Net international migration since 2011 in Birmingham and the Rest of the HMA

	Birmingham	Rest of HMA
2011/12	4,454	3,047
2012/13	3,444	2,666
2013/14	5,407	4,369
2014/15	7,901	6,287
2015/16	10,840	9,118
2016/17	8,265	7,116
2017/18	7,174	5,983
2018/19	4,427	5,786
2019/20	6,869	6,024

Source: ONS

**Table 6.21** Net international migration since 2011 in Birmingham and the Rest of the HMA



Source: ONS

**6.81** Finally, the analysis below looks at natural change. This clearly shows both locations seeing a notable decline over time, from 2011/12 to 2019/20 the level of natural change reduced by 4,300 people in Birmingham with a greater decline (of 7,900 being seen in the Rest of HMA).

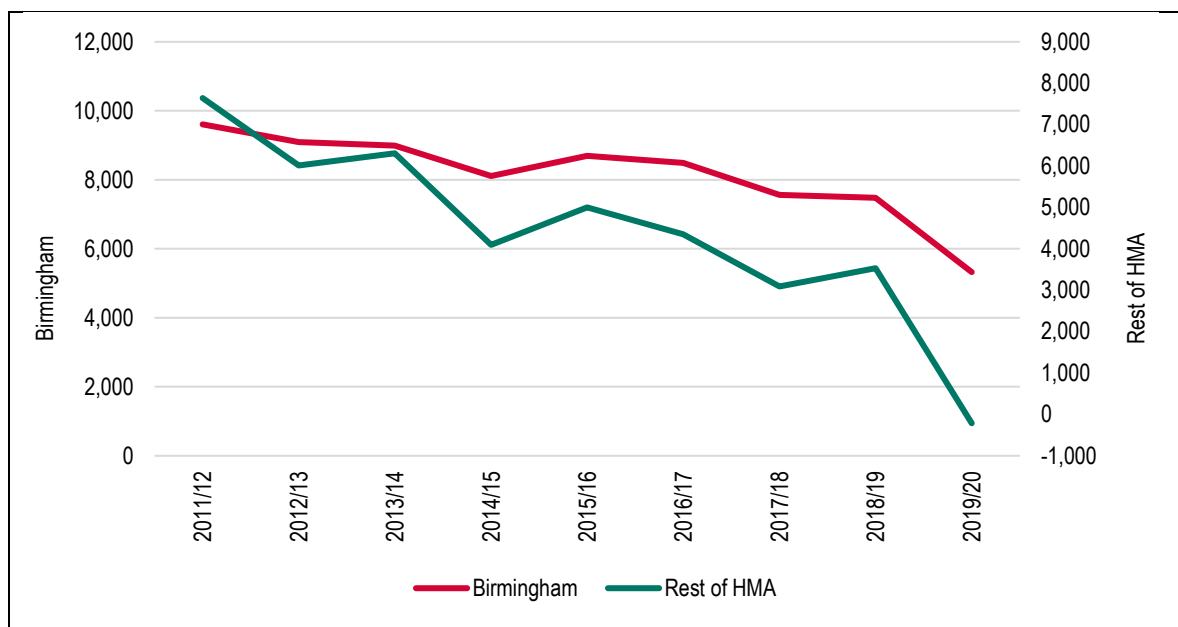
**6.82** It is worth referring this information back to the initial analysis of population change. As noted, the population growth in Birmingham has reduced markedly over time (particularly since 2016) and this is due to reductions in internal migration (increased net out-migration) and reductions in natural change. For the rest of the HMA, population growth has been at a more consistent level, in this case it is a reduction in natural change being offset by increases in net internal migration.

**Table 6.22** Natural change since 2011 in Birmingham and the Rest of the HMA

	Birmingham	Rest of HMA
2011/12	9,608	7,642
2012/13	9,097	6,015
2013/14	8,996	6,305
2014/15	8,111	4,096
2015/16	8,697	5,005
2016/17	8,496	4,354
2017/18	7,563	3,090
2018/19	7,479	3,529
2019/20	5,325	-213

Source: ONS

**Table 6.23** Natural change since 2011 in Birmingham and the Rest of the HMA



Source: ONS

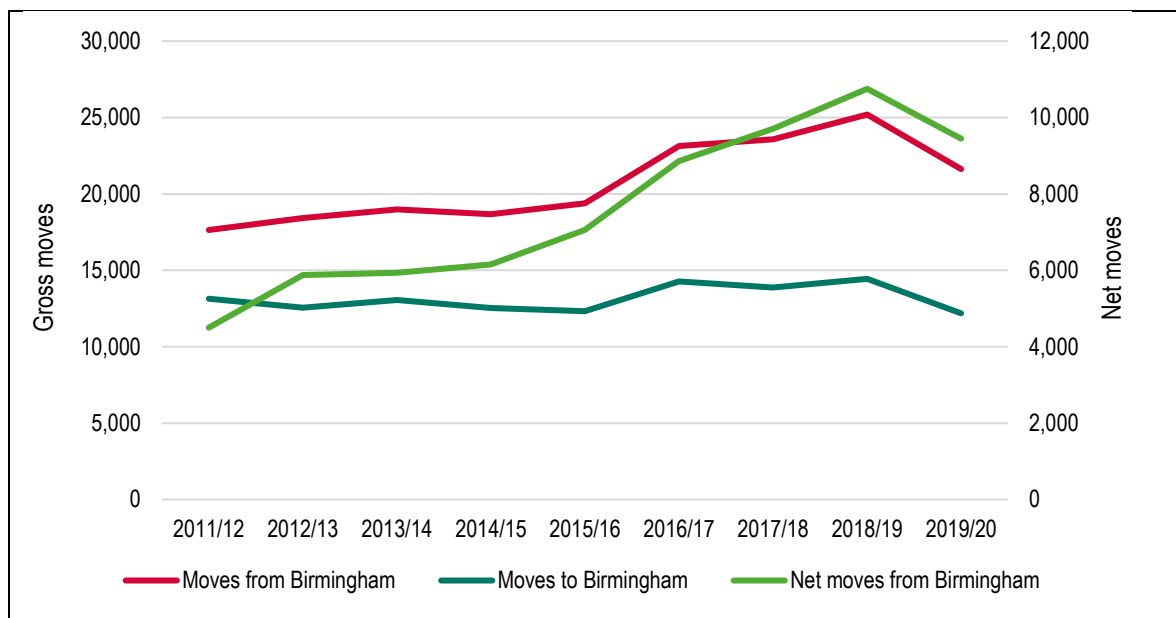
**6.83** A final analysis of trends in Birmingham and the Rest of HMA looks at migration flows between the two areas – this is shown in the table and figure below. The trends shown are really quite interesting; it is clear that there has been a notable increase (particularly from 2016) in the number of people moving from Birmingham to other parts of the HMA (most notably to Sandwell and Solihull as shown in the HMA and FEMA appendix), whereas the number of people moving in the opposite direction has stayed fairly constant, the impact is that the number of net moves from Birmingham have increased over time; this finding is consistent with the general analysis of population change and points to the strong relationship between Birmingham and the Rest of HMA.

**Table 6.24** Internal migration flows to and from Birmingham and the Rest of the HMA

	Moves from Birmingham	Moves to Birmingham	Net moves from Birmingham
2011/12	17,640	13,140	4,500
2012/13	18,430	12,550	5,880
2013/14	18,990	13,050	5,940
2014/15	18,680	12,530	6,150
2015/16	19,390	12,330	7,060
2016/17	23,140	14,280	8,860
2017/18	23,586	13,881	9,705
2018/19	25,196	14,443	10,753
2019/20	21,632	12,187	9,445

Source: ONS

**Table 6.25** Internal migration flows to and from Birmingham and the Rest of the HMA



Source: ONS

### Where Does This Analysis Take Us?

- 6.84** The range of analysis undertaken above is really quite revealing, in particular the observation of the reduced levels of population growth since about 2016.
- 6.85** Looking at the Standard Method as applied to the 2014-SNHP it is difficult to argue that there is much wrong with this from a demographic perspective. However, the evidence would suggest that population growth was stronger in the period feeding into this than has been evident in more recent years. Indeed, it does appear to have been some recessionary influence which resulted in less out-migration from Birmingham than is more often the case.



**6.86** However, whilst the Standard Method does not allow for use of projections later than the 2014-SNHP the PPG does highlight that

*‘Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method’*

**6.87** It is considered that the most recent demographic trends may provide a potential exceptional circumstance, noting the recessionary influence on migration trends feeding into the 2014 SNPP.

**6.88** To look at the impact of recent trends, a scenario (Scenario 1) has been set up which models key data from the 2014-SNHP (e.g. whilst data in this section has shown a clear change in natural change, the birth and death rates from this older projection have been maintained). Then adjustments have been made to the model to reflect recent data on migration – i.e. had migration data to 2020 been available in the 2014-SNHP what would the future projection look like. The HRRs are also taken from the 2014-SNHP which although dated are drawn from longer term data and have less suppression built in. Therefore, the model is consistent with the PPG in being based on realistic demographic data but continuing to work within the framework of the 2014-SNHP.

**6.89** The table below shows that adopting this methodology would lead to a household growth of 3,306 per annum (2021-31) and if translated through the various stages of the Standard Method (including Urban Uplift) would give Scenario 1 a housing need of 4,904 dpa – lower than the Standard Method (6,750 dpa) but still some way in excess of most of the projections discussed in this report.

**Household growth – based on updating 2014-SNHP with more recent migration data – Birmingham**

	Households 2020	Households 2031	Change in households	Per annum
Updated	445,090	478,155	33,065	3,306

Source: Demographic projections

**6.90** Overall, it is considered that there may be exceptional circumstances in Birmingham that would point to a move away from the Standard Method. However, this is in part due to the observation about the reasons for recent demographic trend (less migration to Birmingham and more to the Rest of HMA).

**6.91** Any lowering of the housing need number for Birmingham would therefore be likely to also point to a higher need across the wider HMA area if a consistent approach to migration assumptions were adopted across the HMA. It would also likely reduce the HMA housing need overall (in particular through the application of the Cities and Urban Areas Uplift to a lower figure for Birmingham).

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**6.92** The reason the need would increase in the other HMA authorities is that it would see a return of greater levels of migration from Birmingham to the other local authorities. Thus as the population declines in Birmingham it increases in those local authorities that the former Birmingham residents move to.

### **Developing a Projection for Use in Analysis**

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**6.93** The analysis above shows there are a range of outputs for estimates of household growth (and housing need) depending on the assumptions made about future births, deaths, migration and household representative rates. For the purposes of some analysis in this project (e.g. when looking at the future older person population) it is necessary to form a view about a reasonable projection moving forward. We have therefore developed a second scenario.

**6.94** Looking at the analysis, it is considered that the 2018-based SNPP (alternative internal migration variant) represents the most robust trend-based projection. It is the most recent official projection, with the alternative internal variant arguably using the most appropriate methodology (and a method broadly consistent with past SNPP releases). To this projection, it is considered that the base population should be updated to 2020 to reflect the latest MYE.

**6.95** In converting population into estimates of household growth, it is suggested that the part-return to trend (2014-PRT) is the most appropriate model. This method recognises the apparent suppression of household formation of younger people and seeks to correct this moving forward. A further adjustment made is to rebase the HRRs for 2020 to align with a best estimate of the number of households at that time.

**6.96** In Birmingham, the 2011 Census showed 410,736 households and in the 2011-20 period 22,694 additional dwellings have been completed (net); there is no clear trend in the number of vacant homes in the City and so a best estimate is that the number of households in the City will roughly equal the number in 2011, plus net completions. It is assumed that there were 433,430 households as of 2020.

**6.97** A bespoke projection has therefore been developed (called for the purposes of this report the 'Demographic Assessment' projection – Scenario 2) and to summarise the core assumptions are as below:

- Base population in 2020 from the latest mid-year population estimates;
- Assumptions about birth and death rates plus migration as in the 2018-SNPP (alternative internal migration variant);
- Household representative rates from the 2014-based SNHP with an adjustment for suppression in the 25-34 age group; and

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- A further adjustment to the HRRs to bring the number of households in 2020 in-line with an estimate based on adding net completions to the number of households in 2011.
- 6.98** The purpose of this projection is to provide the council with useful outputs from this report given the standard method (with a 35% urban uplift) is unlikely to be deliverable in the City. This does not change the overall need in the City.
- 6.99** The extent of City's capacity is still being considered and the council will report in due course. If there is a significant variation from the demographic assessment (Scenario 2) and the capacity assessment, then the Council may wish to consider a targeted update of this report.
- 6.100** In developing this projection, a very slightly lower level of population growth is derived (122,000 additional people compared with 126,600 in the SNPP as published) – this difference is due to assuming a slightly different population profile (and size) in 2020 from MYE.
- 6.101** Overall, in the 2020-40 period, Scenario 2 suggests household growth of 4,200 per annum (a housing need of 4,326 if a 3% vacancy allowance is included) – again very slightly lower than when using the 2018-SNPP and 2014-HRRs as published.
- 6.102** As stated earlier in this report the vacancy allowance is a standard adjustment in these studies as it allows for churn in the market. However, this should not be confused with any wider goals to reduce overall vacancy rates within the wider housing stock.
- 6.103** The tables below show how the population of Birmingham would be projected to change under this scenario. As expected, the change to the age profile is similar to the 2018-SNPP (as published) with differences (as noted) being due to updating the base population estimate for 2020.

**Population change 2020 to 2040 by five-year age bands – Birmingham (Demographic Assessment) - Scenario 2**

	Population 2020	Population 2040	Change in population	% change from 2020
Under 5	79,650	89,613	9,963	12.5%
5-9	82,950	82,809	-141	-0.2%
10-14	79,251	78,870	-381	-0.5%
15-19	79,533	84,734	5,201	6.5%
20-24	104,991	112,881	7,890	7.5%
25-29	97,954	108,134	10,180	10.4%
30-34	83,554	94,736	11,182	13.4%
35-39	74,911	78,999	4,088	5.5%
40-44	68,219	76,241	8,022	11.8%
45-49	65,245	74,858	9,613	14.7%
50-54	65,426	67,785	2,359	3.6%
55-59	60,245	61,514	1,269	2.1%
60-64	49,184	54,775	5,591	11.4%
65-69	41,424	50,581	9,157	22.1%
70-74	36,517	47,513	10,996	30.1%
75-79	27,821	40,175	12,354	44.4%
80-84	21,633	28,409	6,776	31.3%
85+	22,017	30,070	8,053	36.6%
<b>Total</b>	<b>1,140,525</b>	<b>1,262,697</b>	<b>122,172</b>	<b>10.7%</b>

Source: Demographic projections

**Population change 2020 to 2040 by broad age bands – Birmingham (Demographic Assessment) (Scenario 2)**

	Population 2020	Population 2040	Change in population	% change from 2020
Under 16	257,118	266,847	9,729	3.8%
16-64	733,995	799,101	65,106	8.9%
65 and over	149,412	196,749	47,337	31.7%
<b>Total</b>	<b>1,140,525</b>	<b>1,262,697</b>	<b>122,172</b>	<b>10.7%</b>

Source: Demographic Projections

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### *Key Findings: Housing Need and Demographics*

*The Standard Method housing need estimate shows a need for 6,750 dwellings per annum (dpa) in Birmingham.*

*The population of Birmingham is has risen by 16% since 2001 and as of mid-2020 is estimated to be 1,140,500.*

*The age structure of Birmingham is much younger than the wider regions, with 23% of the population being age under 16 (compared with 20% nationally) and only 13% aged 65 and over (19% nationally). This has not changed markedly over time with all age groups increasing at not too dissimilar rates.*

*Population growth has lessened more recently with the period of 2015-20 seeing an increase of 27,600 people – half that seen in earlier years. Overall population growth data shows a decline level over the past 5-years, driven by a reduction in natural change and an increase in net migration from the City to other parts of the UK*

*The Unattributable Population Change element in Birmingham is notable and account for nearly 25,000 people over the 2001-11 period.*

*Internal migration analysis shows that people aged 20-24 are the most migrant with older age groups having lower levels of migration. Trends amongst international migration are broadly similar. Both in- and out-migration have jumped since 2016, analysis shows that the lower net migration appears to be focussed on age groups from 20 onwards.*

*The ONS MYE data for Birmingham shows population change of 6.2% in the 2011-20 period, whereas the Patient Register is higher (at 13.1%), this is common across all areas studied. As such, it could be argued that the MYE data for population growth is too low. However, on balance analysis of PR data is not certain enough to suggest setting aside MYE data.*

*In Birmingham the 2018-based principal projection shows population growth of 7.4%. Population growth in the 2016-based projections is 12% whilst the 2014-based projection shows projection of 13.3%.*

*The 2018 alternative internal migration variant (10.9% change) is the most robust for Birmingham and shows that the City is projected to increase at a slightly faster rate than the region or nationally. With this, the largest actual growth in age groups will be in people aged 16-*

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64 (increasing by 68,200) and the largest proportionate increase is in the 65 and over age groups (increasing by 32% over 20-years).

Declines in natural change since 2014 have led to lower overall growth in the 2018 based projections and an overall difference of 33,700 between the two. Actual migration levels are similar regardless of the projection studied suggesting that the 2018-based SNPP are broadly sound from a demographic perspective. Overall, the projected levels of migration do not look unreasonable in the context of past trends and do not suggest that there is anything wrong with the projections developed by ONS.

Three Household Representative Rates (HRR) scenarios have been used, 2018-SNHP HRRs, 2014-SNHP HRRs and 2014-PRT. Overall housing need analysis between 2020 and 2040 shows a growth for 3,227 dwellings per annum (dpa) across the City using 2018-SNHP. Increasing to 4,529 dpa for 2014-PRT and 4,106 for 2014-SNHP. Across the 2021-2031 period 2014-HRRs growth would be 4,140 dwellings giving a Standard Method need figure of 6,140 dpa.

Population change from 2011 to 2020 in Birmingham and the HMA shows the City's population rising at a faster rate than the HMA, but declining since 2016, and more so 2018. This has been caused by net internal out-migration of Birmingham to have steadily increased over time, with the opposite seen in the Rest of HMA area. There are no clear trends for international migration

A model has been set up based on key data from the 2014-SNHP with adjustments made to reflect recent data on migration. The model is consistent with the PPG in being based on realistic demographic data but continuing to work within the framework of the 2014-SNHP. Use of this model leads to a household growth of 3,306 per annum, if translated through the steps in the Standard Method (including Urban Uplift) this gives a housing need of 4,904 dpa, This is Scenario 1.

Overall, it is considered that there may be exceptional circumstances in Birmingham that would point to a move away from the Standard Method. However, any lowering of the housing need number for Birmingham would therefore be likely to also point to a higher need across the wider HMA area.

A 'Demographic Assessment' projection has been developed (scenario 2) with the core assumptions as, base population in 2020 from the latest mid-year population estimates; assumptions about birth and death rates plus migration as in the 2018-SNPP (alternative internal migration variant); HRRs from the 2014-based SNHP with adjustment; and a further adjustment to the HRRs to bring the number of households in 2020 in-line with an estimate based on adding net completions to the number of households in 2011.

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*The demographic assessment (Scenario 2) suggests household growth of 4,200 per annum, lower than when using the 2018-SNPP and 2014-HRRs as published. This increases to 4,326 dwellings when a 3% vacancy allowance is included. The resultant change to the age profile is similar to the 2018-SNPP, with any differences being due to updating the base population estimate for 2020.*

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## 7. AFFORDABLE HOUSING NEED

- 7.1 This section provides an assessment of the need for affordable housing in Birmingham and the ten sub-areas. The analysis specifically considers general needs housing, with further analysis of specialist housing (e.g. for older people) being discussed later in the report.
- 7.2 The analysis follows the PPG (Sections 2a-018 to 2a-024) and provides two main outputs, linked to Annex 2 of the NPPF – this is firstly an assessment of the need for social/affordable rented housing and secondly to consider the need for affordable home ownership products.
- 7.3 The analysis also briefly considers First Homes, which looks likely to become a new tenure (potentially replacing other forms of affordable home ownership). Further information about First Homes was set out in a Planning Practice Guidance in May 2021.
- 7.4 The analysis is largely based on secondary data sources, including data about house prices and rents. However, data has also been drawn from the household survey where this can add further detail that is not readily available from the secondary sources.

### Methodology Overview

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- 7.5 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented) and therefore the analysis looks at need for ‘*affordable housing for rent*’ as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:
- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of data modelled from local information – this figure is then annualised so as to meet the current need over a period of time;
  - **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
  - **Existing households falling into need:** based on studying past trends in the types of households who have accessed social/affordable rented housing; and



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- **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock.

- 7.6** The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing. For the purposes of this assessment, this analysis is used to identify the overall (net) need for social/affordable rented housing.
- 7.7** This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households to afford private rents has influenced whether or not they are in need of affordable housing.
- 7.8** The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG includes households that “*cannot afford their own homes, either to rent, or to own, where that is their aspiration*” as having an affordable housing need.
- 7.9** This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so. The PPG does not however provide specific guidance on how the needs of such households should be assessed and so this study adopts a broadly consistent methodology to that identified in the PPG, and consider a current need; a newly-arising need on an annual basis; existing households falling into need; and an annual estimate of supply.
- 7.10** For some of the analysis in this section it has been necessary to draw on other sources of data (applied to local information) to make estimates of the need. The approach is consistent with the PPG (Housing and economic needs assessment – see 2a-020 for example) and includes linking local Census data to national changes (as evidenced in national surveys such as the English Housing Survey).
- 7.11** Additionally, information drawn from local surveys previously undertaken by JGC across the country have been used to look at potential prevalence rates for some elements of need where comprehensive local data is lacking. This includes considering what proportion of households in the private rented sector might have a need due to potential loss of accommodation (e.g. tenancies ending) although again such rates are applied to local information about the size of the sector.
- 7.12** This approach is considered to provide a reasonable view about likely local needs and is an approach that has been accepted through a range of Local Plan Examinations over the past five or more years. Our analysis of affordable housing need is therefore structured to consider the need for rented

affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).

**7.13** Whilst the need for social/affordable rented housing and affordable home ownership are analysed separately, there are a number of pieces of information that are common to both assessments. In particular, this includes an understanding of local housing costs, incomes and affordability. The sections below therefore look at these factors.

#### Local Price and Rents

**7.14** An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an ‘affordable housing need’. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).

**7.15** The analysis below considers the entry-level costs of housing to both buy and rent across the City. The approach has been to analyse Land Registry and ONS data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market recognising that the very cheapest properties may be of sub-standard quality.

**7.16** Data from the Land Registry for the year to March 2021 shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £100,000 for a second-hand flat and rising to £300,000 for a detached home. Looking at the lower quartile price across all dwelling types, the analysis shows a lower quartile price of £150,000 (existing dwellings).

**7.17** The analysis is also split between newly-built and existing dwelling which typically shows higher prices for new homes (within all type categories except detached). For the purposes of analysis in this section, the main focus is on the pricing of existing homes within the area.

**Table 7.1 Lower quartile cost of housing to buy – year to March 2021 – Birmingham**

	Existing dwellings	Newly-built dwellings	All dwellings
Flat/maisonette	£100,000	£183,000	£110,000
Terraced	£140,000	£219,000	£140,000
Semi-detached	£175,000	£230,000	£175,000
Detached	£301,000	£276,000	£296,000
All dwellings	£150,000	£196,000	£150,000

Source: Land Registry

**7.18** It is also useful to provide estimates of property prices by the number of bedrooms in a home. Analysis for this draws together Land Registry data with an internet search of prices of homes for sale (using sites such as Rightmove). The analysis suggests a lower quartile price of about £120,000 for a 1-bedroom home, rising to £250,000 for homes with 4-bedrooms.

**Table 7.2** Estimated lower quartile cost of housing to buy by size (existing dwellings) – year to March 2021 – Birmingham

	Lower quartile price
1-bedroom	£120,000
2-bedrooms	£150,000
3-bedrooms	£180,000
4-bedrooms	£250,000
All Dwellings	£150,000

Source: Land Registry and Internet Price Search

**7.19** A similar analysis has been carried out for private rents using ONS data – this covers a 12-month period to March 2021. For the rental data, information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of £425 per month.

**Table 7.3** Lower Quartile Market Rents, year to March 2021 - Birmingham

	Lower Quartile rent, pcm
Room only	£375
Studio	£475
1-bedroom	£575
2-bedrooms	£650
3-bedrooms	£700
4-bedrooms	£900
All properties	£625

Source: ONS

**7.20** The rental figures above have been taken from ONS data; it is however of interest for this study to see how these vary by location. The table below shows an estimate of the overall lower quartile private rent in each of the sub-areas; this is based on analysis of Rightmove data on available lettings which has then been adjusted to be consistent with the data from ONS.

**7.21** The analysis shows some variation in prices and rents, with prices estimated to be highest in Sutton Coldfield, although the highest rents were found to be in Selly Oak (this will be influenced by the student population in this area). The lowest prices and rents were found to be in the Central area, and this is to some degree influenced by the mix of stock in this location (i.e. more smaller units).

**Table 7.4 Lower Quartile Prices and Market Rents, by sub-area**

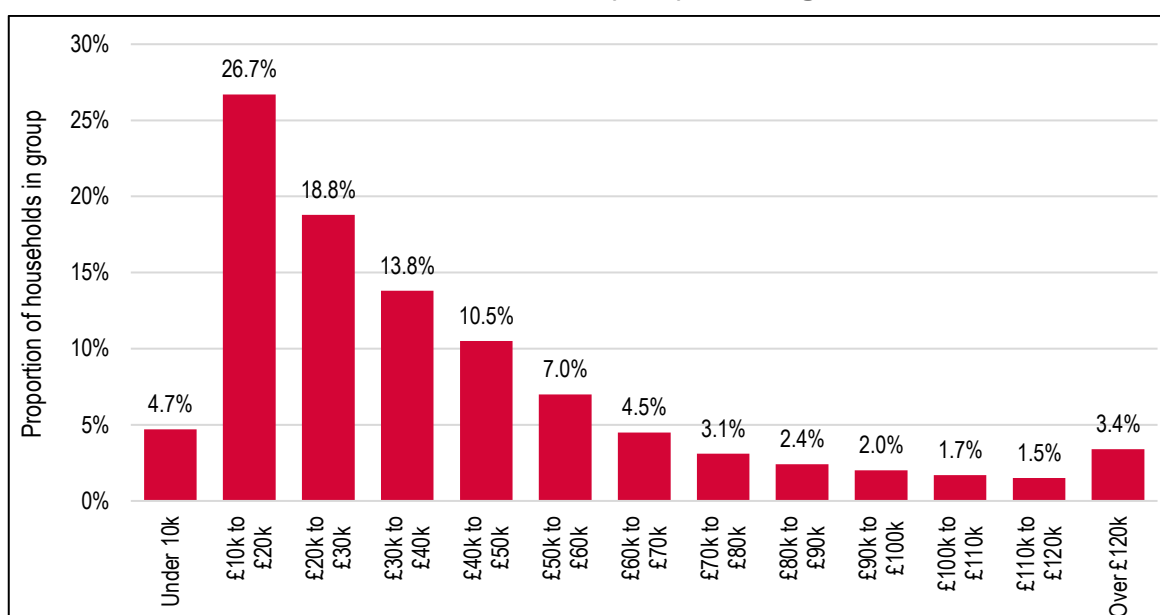
	Lower quartile price (existing dwellings)	Lower Quartile rent, pcm
Central	£128,000	£530
Edgbaston	£158,000	£615
Erdington	£135,000	£615
Hall Green	£168,000	£620
Hodge Hill	£131,000	£650
Northfield	£144,000	£655
Perry Barr	£134,000	£635
Selly Oak	£175,000	£805
Sutton Coldfield	£242,000	£735
Yardley	£155,000	£660
All properties	£150,000	£625

Source: Internet private rental cost search and Land Registry

### Household Incomes

- 7.22** Following on from the assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes.
- 7.23** Drawing all of this data together an income distribution for the whole City has been constructed for 2020. The figure below shows that around a third of households have incomes below £20,000 with a further third in the range of £20,000 to £40,000. Overall, the average (mean) income is estimated to be around £39,400, with a median income of £29,700; the lower quartile income of all households is estimated to be £17,200.

**Table 7.5 - Distribution of household income (2020) – Birmingham**



Source: Derived from a range of data as discussed

**7.24** Analysis has also been undertaken to estimate how incomes vary by sub-area, with the table below showing the estimated median and lower quartile household income in each area, the table also shows the variance in incomes from the City average. There is some variation in the estimated incomes by area, lower quartile figures ranging from £14,700 in Hodge Hill, up to £21,700 in Sutton Coldfield.

**Table 7.6 Estimated average (median) and lower quartile household income by sub-area (mid-2020 estimate)**

	Median income	Lower quartile	LQ as a % of City average
Central	£27,900	£16,200	94%
Edgbaston	£31,600	£18,300	106%
Erdington	£27,600	£16,000	93%
Hall Green	£31,900	£18,400	107%
Hodge Hill	£25,400	£14,700	85%
Northfield	£30,300	£17,500	102%
Perry Barr	£28,200	£16,300	95%
Selly Oak	£32,000	£18,500	108%
Sutton Coldfield	£37,600	£21,700	126%
Yardley	£28,600	£16,500	96%
All households	£29,700	£17,200	-

Source: Derived from a range of data as discussed

### Affordability Thresholds

**7.25** To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access

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- owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 7.26** A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used depending on local housing costs.
- 7.27** At £625 per calendar month, lower quartile rent levels in Birmingham are typically above average in comparison to those seen nationally (a lower quartile rent of £565 for England in the year to March 2021). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). On balance, it is considered that a threshold of 30% is reasonable in a local context, to afford a £625 pcm rent this would imply a gross household income of about £25,000 (and in net terms the rent would likely be around 36% of income). This figure (£25,000) can be considered in the context of an estimated lower quartile income of around £17,200 and highlights the potential difficulty some households will have in accessing private rented accommodation without some form of subsidy (Housing Benefit or Universal Credit with a housing component).
- 7.28** In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 7.29** Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.30** For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.

**7.31** The table below shows the estimated incomes required to both buy and rent (privately) at lower quartile levels in each sub-area and the gap between the two. This shows a notable 'gap' in most areas across the study area, particularly locations with higher house prices. The information in the table below is taken forward into further analysis in this section to look at affordable needs in different locations.

**Table 7.7** Estimated Household Income Required to Buy and Privately Rent by sub-area

	To buy	To rent (privately)	Income gap
Central	£25,600	£21,200	£4,400
Edgbaston	£31,600	£24,600	£7,000
Erdington	£27,000	£24,600	£2,400
Hall Green	£33,600	£24,800	£8,800
Hodge Hill	£26,200	£26,000	£200
Northfield	£28,800	£26,200	£2,600
Perry Barr	£26,800	£25,400	£1,400
Selly Oak	£35,000	£32,200	£2,800
Sutton Coldfield	£48,400	£29,400	£19,000
Yardley	£31,000	£26,400	£4,600
City-wide	£30,000	£25,000	£5,000

Source: Based on Housing Market Cost Analysis

### Need for Social/Affordable Rented Housing

**7.32** The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the City and sub-areas. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

#### Current Need

**7.33** In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

**Table 7.8** Main sources for assessing the current need for affordable housing

	Source	Notes
Homeless households (those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 7.34** It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting (although this is likely to be small). Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.
- 7.35** The table below shows the initial estimate of the number of households within each sub-area with a current housing need. These figures are before any ‘affordability test’ has been applied to assess the ability of households to meet their own housing needs; and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis estimates that there are currently some 71,200 households living in unsuitable housing (or without housing), with around a quarter of these being in the Central sub-area.



**Table 7.9 Estimated Number of Households Living in Unsuitable Housing by sub-area**

	Homeless/ concealed households	Households in overcrowded housing	Existing affordable housing tenants in need	Households from other tenures in need	Total
Central	3,001	12,499	503	2,038	18,041
Edgbaston	901	3,514	208	970	5,592
Erdington	949	3,280	269	1,019	5,518
Hall Green	1,801	3,317	86	810	6,014
Hodge Hill	1,836	5,645	245	774	8,500
Northfield	703	3,207	309	889	5,108
Perry Barr	2,481	5,757	171	1,057	9,466
Selly Oak	724	2,967	196	1,029	4,915
Sutton Coldfield	540	1,092	75	825	2,533
Yardley	1,049	3,383	192	875	5,499
<b>TOTAL</b>	<b>13,984</b>	<b>44,661</b>	<b>2,255</b>	<b>10,288</b>	<b>71,187</b>

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 7.36** As well as the secondary data estimate of current need above, it is possible to cross-check some of the data with that from the household survey. Specifically, the survey asked: *'Do you think that your home is adequate for the needs of your household?'*. The response to this question can be seen to be along similar lines to the secondary data based estimate of the number of households living in unsuitable housing (and data has been presented earlier in this report). Overall, some 11% of households stated that their home was inadequate, this is around 49,200 households, slightly lower than the figure generated from secondary data analysis (about 57,200 if excluding homeless and concealed households).
- 7.37** In taking this estimate forward, the data modelling next estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority will be able to afford housing once savings and equity are taken into account.
- 7.38** A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder are taken forward for affordability testing.
- 7.39** The tables below show it is estimated that there are around 36,100 households living in unsuitable housing (excluding current social tenants as they are already in affordable housing and the majority of owner-occupiers) in Birmingham.

**Table 7.10 Unsuitable Housing by Tenure and Number to Take Forward into Affordability Modelling (Birmingham)**

	In Unsuitable Housing	Number to Take Forward for Affordability Testing
Owner-occupied	17,436	1,744
Affordable housing	18,083	0
Private rented	21,684	20,351
No housing (homeless/concealed)	13,984	13,984
Total	71,187	36,079

Source: MHCLG Live Tables, Census 2011 and Data Modelling

- 7.40** Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. To consider this, the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income distribution that reduces the average household income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure of 42% has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing.
- 7.41** These two percentage figures have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation).
- 7.42** The figures have been based on analysis of the English Housing Survey (mainly looking at relative incomes of households in each of the private and social rented sectors) as well as consideration of similar information collected through household surveys across the country by JGC. These modelling assumptions are considered reasonable and have not been challenged through the Local Plan process in other locations (where the same assumptions have been used).
- 7.43** Overall, around three-fifths of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need is around 22,100 households across the City. The table below shows how this is estimated to vary by sub-area.

**Table 7.11 Estimated Current Affordable Housing Need (for social/affordable rented housing) by sub-area**

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Central	9,092	54.4%	4,949
Edgbaston	2,983	54.6%	1,628
Erdington	2,777	61.9%	1,720
Hall Green	3,730	60.9%	2,273
Hodge Hill	3,845	71.8%	2,760
Northfield	2,029	60.7%	1,231
Perry Barr	5,214	66.8%	3,483
Selly Oak	2,323	66.1%	1,536
Sutton Coldfield	1,375	58.0%	797
Yardley	2,710	65.0%	1,761
<b>TOTAL</b>	<b>36,079</b>	<b>61.4%</b>	<b>22,139</b>

Source: CLG Live Tables, Census 2011 and Data Modelling

**7.44** The estimate of need can also be contrast with data from the Council's Housing Register, which as of 2021 showed 17,300 households. Whilst the register is slightly lower it is not considered to be inconsistent with the modelled estimates above. In particular, it is possible that some households do not register for housing as they perceived little hope of being housed (despite having a need). Regardless, data from both sources clearly demonstrates a notable current affordable need across the City.

**7.45** The estimated figures shown above represents the number of households with a need currently. For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2020 to 2040, the need is annualised by dividing by 20 (to give an annual need for 1,107 dwellings across all areas). This does not mean that some households would be expected to wait 20-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time.

#### Newly Forming Households

**7.46** The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation.

**7.47** The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45

(e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

- 7.48** The number of newly forming households has been estimated through demographic modelling (linked to the 2018-based SNPP and 2014-based HRRs). This is considered to provide the best view about trend-based household formation in Birmingham.
- 7.49** In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by JGC. This establishes that the average income of newly forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.50** The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.
- 7.51** The assessment suggests overall that around half of newly forming households will be unable to afford market housing (to rent privately) and this equates a total of 5,400 newly forming households will have a need per annum on average across the study area – the table below provides a breakdown by sub-area.

**Table 7.12 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum) – by Sub-Area**

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Central	2,108	45.0%	947
Edgbaston	948	46.1%	437
Erdington	989	53.1%	524
Hall Green	797	46.2%	368
Hodge Hill	1,005	59.7%	600
Northfield	1,020	51.6%	526
Perry Barr	1,164	53.7%	625
Selly Oak	872	58.9%	513
Sutton Coldfield	816	46.5%	379
Yardley	888	55.0%	488
<b>TOTAL</b>	<b>10,605</b>	<b>51.0%</b>	<b>5,409</b>

Source: Projection Modelling/Affordability Analysis

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## Existing Households Falling into Affordable Housing Need

- 7.52** The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.
- 7.53** This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’*.
- 7.54** Following the analysis through suggests a need arising from 1,815 existing households each year across the City. The table below breaks this down by sub-area.

**Table 7.13** Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum) by sub-area

	Total Additional Need	% of Total
Central	384	21.2%
Edgbaston	161	8.9%
Erdington	220	12.1%
Hall Green	67	3.7%
Hodge Hill	209	11.5%
Northfield	250	13.8%
Perry Barr	140	7.7%
Selly Oak	167	9.2%
Sutton Coldfield	59	3.2%
Yardley	159	8.8%
TOTAL	1,815	100.0%

Source: Derived from a range of sources as described in text

## Supply of Social/Affordable Rented Housing Through Relets

- 7.55** The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 7.56** The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information

from Continuous Recording of Lettings and Sales in Social Housing in England (CoRe) has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

- 7.57** On the basis of past trend data it has been estimated that 2,935 units of social/affordable rented housing are likely to become available each year moving forward for occupation by newly forming households and existing households falling into need from other tenures.

**Table 7.14 Analysis of Past Social/Affordable Rented Housing Supply, 2017/18 – 2019/20 (average per annum) – Birmingham**

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2017/18	5,126	92.3%	4,731	66.9%	3,167
2018/19	4,835	94.1%	4,549	63.7%	2,897
2019/20	4,465	96.5%	4,308	63.6%	2,738
Average	4,809	94.2%	4,529	64.8%	2,935

Source: CoRe/LAHS

- 7.58** The table below shows the estimated supply of affordable housing from relets in each sub-area. The sub-area figures have been based on the size of the stock in each sub-area as of 2011 (Census data).

**Table 7.15 Estimated supply of affordable housing from relets of existing stock by sub-area (per annum)**

	Annual supply	% of supply
Central	654	22.3%
Edgbaston	271	9.2%
Erdington	350	11.9%
Hall Green	112	3.8%
Hodge Hill	319	10.9%
Northfield	402	13.7%
Perry Barr	222	7.6%
Selly Oak	256	8.7%
Sutton Coldfield	98	3.3%
Yardley	250	8.5%
TOTAL	2,935	100.0%

Source: CoRe/LAHS/Census (2011)

- 7.59** The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within

the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

#### Net Need for Social/Affordable rented Housing

**7.60** The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 5,400 dwellings per annum across the area – an affordable need is seen in all sub-areas. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

**Table 7.16** Estimated Need for Social/Affordable Rented Housing by sub-area (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Central	247	947	384	1,579	654	925
Edgbaston	81	437	161	680	271	409
Erdington	86	524	220	831	350	480
Hall Green	114	368	67	548	112	436
Hodge Hill	138	600	209	947	319	629
Northfield	62	526	250	837	402	435
Perry Barr	174	625	140	940	222	717
Selly Oak	77	513	167	757	256	501
Sutton Coldfield	40	379	59	477	98	379
Yardley	88	488	159	735	250	485
<b>TOTAL</b>	<b>1,107</b>	<b>5,409</b>	<b>1,815</b>	<b>8,331</b>	<b>2,935</b>	<b>5,396</b>

Source: Range of sources as discussed

#### The Relationship Between Affordable Need and Overall Housing Need

**7.61** The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

*'The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes'*

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- 7.62** However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be ‘arithmetically’ linked.
- 7.63** Firstly, the modelling contains a category in the projection of ‘*existing households falling into need*’; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains ‘*newly forming households*’; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.
- 7.64** This just leaves the ‘*current need*’; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need, although uplifts for market signals/affordability (as included in the Government’s Standard Method) would be expected to deal with such households.
- 7.65** The analysis estimates an annual need for 5,396 rented affordable homes, which is notionally 80% of a Local Housing Need of 6,750 dwellings per annum (as calculated using the Standard Method). However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 7.66** It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 3,049 homes per annum across the study area – notionally 45% of the Standard Method. This figure is theoretical and should not be seen to be minimising the need (which is clearly acute). It does however serve to show that there is a substantial difference in the figures when looking at overall housing shortages.
- 7.67** The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as over and above any need derived through the normal process of looking at need. Indeed, only the 576 per annum (current need) is in addition to demographic projections and this scale of uplift will



already have been included in figures when moving from a demographic start point to an estimate of housing need using the Standard Method.

**Table 7.17 Estimated Need for Affordable Housing (social/affordable rented) excluding households already in accommodation – Birmingham**

	Excluding existing households	Including existing households
Current need	576	1,107
Newly forming households	5,409	5,409
Existing households falling into need	0	1,815
Total Gross Need	5,984	8,331
Re-let Supply	2,935	2,935
Net Need	3,049	5,396

*Source: Range of sources as discussed*

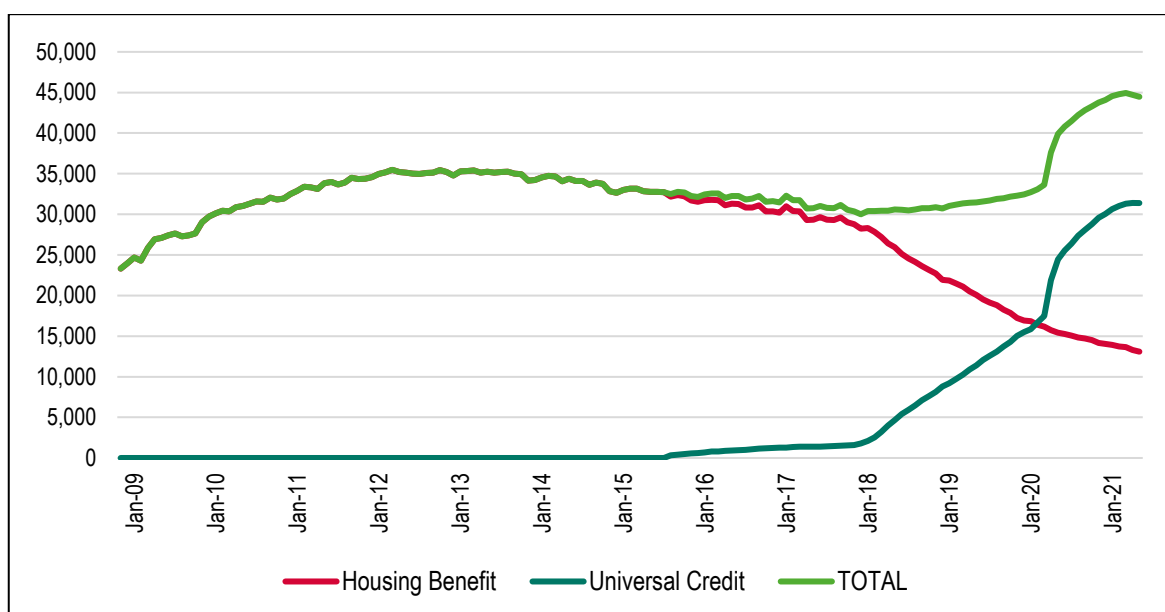
- 7.68** Additionally, it should be noted that the need estimate is on a per annum basis and should not be multiplied by the plan period to get a total need. Essentially, the estimates are for the number of households who would be expected to have a need in any given year (i.e. needing to spend more than 30% of income on housing). In reality, some (possibly many) households would see their circumstances change over time such that they would ‘fall out of need’ and this is not accounted for in the analysis. One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household’s income rises, they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- 7.69** The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase the housing requirement/overall provision (with the exception of potentially providing housing for concealed households although this should be picked up as part of an affordability uplift). It is however worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the increasing role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.
- 7.70** Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main ‘full market’ PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their “homelessness duty” through providing an offer of a suitable property in the PRS.

7.71 It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: ‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market’ [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market.

7.72 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of May 2021, it is estimated that there were 44,500 benefit claimants in the private rented sector in Birmingham. From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.

7.73 The figure below the table shows the trend in the number of claimants in the City. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically at least 30,000 households).

**Table 7.18 Figure 1.3 Number of Housing Benefit claimants in the private rented sector – Birmingham**



Source: Department of Work and Pensions

7.74 Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivery affordable housing; and the Council should also work

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with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.

- 7.75** Overall, it is difficult to link the need for affordable housing to the overall housing need; indeed, there is no justification for trying to make the link. Put simply the two do not measure the same thing and interpreting the affordable need figure consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the private rented sector.
- 7.76** Regardless of the discussion above, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue across the City. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. As noted previously, the evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.
- 7.77** Whilst there is no direct link between the affordable need and overall housing need, it is the case that the levels of affordable need across areas can feed into considerations about the distribution of housing for different areas, along with an understanding of demographic trends and economic growth.
- 7.78** Finally, the Council also need to consider what their priorities are in terms of meeting affordable housing need of different groups. This may mean having slightly different affordable housing targets for developments providing specialist accommodation or C3 housing for specific groups.

### **Split Between Social and Affordable Rented Housing**

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- 7.79** The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.
- 7.80** An analysis has been undertaken to compare the income distribution of households with the cost of different products. Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower quartile and median market rents (from ONS data). This analysis shows that social rents are lower than affordable rents; the analysis also shows that affordable rents are less than both lower quartile and median market rents.

### Comparison of rent levels for different products – Birmingham (2019/20)

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median
1-bedroom	£342	£428	£575	£665	75%	64%
2-bedrooms	£391	£483	£650	£737	74%	66%
3-bedrooms	£437	£527	£700	£775	75%	68%
4-bedrooms	£482	£626	£900	£1,100	70%	57%
All	£396	£499	£625	£720	80%	69%

Source: RSH and ONS

**7.81** For the affordability test, a standardised average rent for each product has been used. The table below suggests that around 24% of households who cannot afford to rent privately could afford an affordable rent, with a further 25% being able to afford a social rent (but not an affordable one). A total of 51% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

**Table 7.17** Estimated need for affordable rented housing (% of households able to afford)

	% of households able to afford
Afford affordable rent	24%
Afford social rent	25%
Need benefit support	51%
All unable to afford market	100%

Source: Affordability analysis

**7.82** The finding that only 24% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent – hence a higher proportion of affordable rented housing might be appropriate – indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. Conversely, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.

**7.83** There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation)

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may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.

- 7.84** On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required in all areas.

### **Current Affordable Housing Policy**

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- 7.85** The analysis in this section sets out evidence of the need for affordable housing which can be used to help the Council develop a new affordable housing policy. Affordable housing is currently dealt with in the Development Plan Policy TP31 which as a headline states that ‘The City Council will seek 35% affordable homes as a developer contribution on residential developments of 15 dwellings or more’. In developing a new policy it is recommended the Council test the 35% figure to see if a higher contribution is viable, particularly as viability may be improved with inclusions of an element of First Homes.

- 7.86** The policy itself is not prescriptive about the size and type of affordable housing that should be provided, although a table is included (Figure 2) which draws on some of the conclusion of a Strategic Housing Market Assessment of 2013. In looking at the tenure split, the Council is urged to reconsider the evidence being provided in plan. There are a number of reasons for this, set out below:

- TP31 suggests a need for around 5% of homes to be shared ownership – this does not seem unreasonable in light of the findings in this report; however, the Council will also need to consider the NPPF requirement for 10% of housing to be forms of affordable home ownership and the role First Homes will play in the overall affordable mix
- TP31 suggests a need for around 22% of homes to be for affordable rent and that this tenure accounts for around 65% of all rented affordable housing. This report does not recommend setting separate targets for affordable rent and social rent as it is recognised that there will be a need for both types of housing and actual delivery may depend on funding streams available. Additionally, for many households (those needing to claim benefits) either tenure would be equally affordable in practice.
- TP31 suggest a need for 11% of homes to be social rent or housing with subsidy with a footnote suggesting this could be provided in either the social or private rented sector. The reference to the PRS is concerning and it is recommended the Council remove any reference to affordable housing being provided in this sector from policy.

- 7.87** On the final point, whilst it is not recommended for the policy to include reference to the PRS it is accepted that private rented affordable housing could come forward as part of a Build-to-Rent scheme (such schemes are discussed in more detail later in this report).

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- 7.88** Where BtR is proposed, the Council will need to treat schemes on their own merit, including the affordable housing offer and rent levels. Planning Practice Guidance suggests that BtR schemes should provide 20% of housing as affordable and that this housing should be at 80% of market rents.
- 7.89** In general this is likely to be reasonable in Birmingham, however, we would also urge the Council to further ensure that rent levels do not exceed the relevant Local Housing Allowance – this will be important in making homes genuinely affordable in more expensive locations.

### **Establishing a Need for Affordable Home Ownership**

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- 7.90** The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'*. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 7.91** The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 7.92** The analysis has been developed in the context of First Homes with the Government proposing that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant PPG (70-001)) can be found later in this document.

### **Gross Need for Affordable Home Ownership**

- 7.93** The first part of the analysis seeks to understand what the gap between renting and buying actually means in the study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 7.94** Using the income distributions developed (as set out earlier in this section) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 43% already have sufficient income to buy a lower quartile home, with 8% falling in the rent/buy 'gap'. The final 49% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing.

**7.95** These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).

**7.96** The table below shows an estimate of the proportion of households living in the private rented sector who are able to afford different housing products by sub-area. This shows a higher proportion of households in the rent/buy gap in Sutton Coldfield. Lower figures can be seen in other areas, and Hodge Hill in particular.

**Table 7.18** Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing by sub-area

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Central	48%	9%	43%
Edgbaston	43%	13%	44%
Erdington	45%	5%	51%
Hall Green	41%	15%	44%
Hodge Hill	42%	<1%	58%
Northfield	46%	5%	49%
Perry Barr	46%	3%	51%
Selly Oak	39%	4%	57%
Sutton Coldfield	32%	24%	44%
Yardley	40%	8%	53%
TOTAL	43%	8%	49%

*Source: Derived from Housing Market Cost Analysis and Affordability Testing*

**7.97** The finding that a significant proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

**7.98** To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 73,400 households living in the sector across the study area. Data from the English Housing Survey (EHS) suggests that since 2011, the number of households

in the PRS has risen by about 19% - if the same proportion is relevant to Birmingham, then the number of households in the sector would now be around 87,300.

**7.99** Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (52,400 households if applied to Birmingham) and of these some 40% (21,000 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

**7.100** As noted above, on the basis of income it is estimated that around 8% of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 1,700 affordable home ownership units (86 per annum if annualised over a 20-year period).

**7.101** In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 990 dwellings (860 from newly forming households and 130 from existing households in the private rented sector).

**7.102** Bringing together the above analysis suggests that there is a need for around 1,080 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the study area. This is before any assessment of the potential supply of housing is considered.

**Table 7.19** Estimated Gross Need for Affordable Home Ownership by sub-area (per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Central	23	202	35	261
Edgbaston	13	118	20	151
Erdington	5	45	7	58
Hall Green	13	119	19	151
Hodge Hill	0	3	0	4
Northfield	4	49	6	58
Perry Barr	3	30	5	38
Selly Oak	4	33	6	43
Sutton Coldfield	15	197	22	234
Yardley	6	66	9	81
<b>TOTAL</b>	<b>86</b>	<b>863</b>	<b>130</b>	<b>1,080</b>

Source: Range of sources as discussed



## Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

- 7.103** As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 7.104** The main source is likely to be resales of products such as shared ownership and an analysis of CoRe data about resales of affordable housing shows an average of around 49 resales per annum across the study area (based on data for the 2016-19 period). These properties would be available for these households and can be included as the potential supply.
- 7.105** The table below therefore shows an estimate of the net need for affordable home ownership. This suggests a need for around 1,031 dwellings per annum, with a need being shown in all areas apart from Hodge Hill.

**Table 7.20** Estimated Need for Affordable Home Ownership by sub-area (per annum)

	Total Gross Need	LCHO supply	Net need
Central	261	8	253
Edgbaston	151	5	146
Erdington	58	7	51
Hall Green	151	2	149
Hodge Hill	4	5	-2
Northfield	58	7	51
Perry Barr	38	2	36
Selly Oak	43	7	36
Sutton Coldfield	234	2	232
Yardley	81	3	78
<b>TOTAL</b>	<b>1,080</b>	<b>49</b>	<b>1,031</b>

Source: Range of sources as discussed

## An Alternative View of the Supply of Affordable Home Ownership Properties

- 7.106** The analysis above has looked at the supply of resales of affordable housing. However, it should be noted that the analysis to consider need looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in Birmingham there were a total of 7,147 resales (i.e. excluding newly-built homes) in the last year (year to March 2021) and therefore around 1,787 would be priced below the lower quartile.
- 7.107** This is 1,787 homes that would potentially be affordable to the target group for affordable home ownership products and is a potential supply that is in excess of the level of need calculated. The

table below shows the estimated number of sales and the number at or below a lower quartile price for each sub-area.

**Table 7.21** Number of sales of existing dwellings (year to March 2021) and number at or below lower quartile

	Number of sales	Sales at or below LQ
Central	639	160
Edgbaston	596	149
Erdington	766	192
Hall Green	552	138
Hodge Hill	495	124
Northfield	940	235
Perry Barr	554	139
Selly Oak	817	204
Sutton Coldfield	1,084	271
Yardley	704	176
TOTAL	7,147	1,787

Source: Land Registry

- 7.108** If a further supply of dwellings below lower quartile were taken from the estimated need, then it would be suggested that there is actually a surplus of affordable home ownership properties (of around 760 per annum). This figure should be treated as theoretical, not least because it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone is able to buy a home as long as they can afford it and it is possible that a number of lower quartile homes would be sold to households able to afford more, or potentially to investment buyers). However, it is clear that looking at a wider definition of supply does make it difficult to conclude what the need for affordable home ownership is (and indeed if there is one).

### Implications of the Analysis

- 7.109** Given the analysis above, it would be reasonable to conclude that there is a need to provide housing under the definition of 'affordable home ownership' – although this conclusion is based on only considering supply from resales of affordable housing (notably shared ownership). If supply estimates are expanded to include market housing for sale below a lower quartile price, then the need for AHO is less clear-cut.
- 7.110** Regardless, it does seem that there are many households in Birmingham who are being excluded from the owner-occupied sector. This can be seen by analysis of tenure change, which saw the number of households living in private rented accommodation increasing by 112% from 2001 to 2011 (with the likelihood that there have been further increases since). Over the same period, the number of owners with a mortgage dropped by 7%. That said, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

**7.111** On this basis, and as previously noted, it seems likely in Birmingham that access to owner-occupation is being restricted by access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially some mortgage restrictions (e.g. where employment is temporary) rather than just being due to the cost of housing to buy.

**7.112** It is possible to investigate the access households have to deposits by looking at savings levels (data collected through the household survey). The table below shows saving levels by tenure and from this it is clear that households in the PRS are likely to have difficulty raising a deposit, with some 44% stating that they have no savings or that they are in debt and a further 26% having less than £5,000.

**Table 7.22 Savings by Tenure**

	None/in debt	Less than £5,000	£5,000-£10,000	£10,000-£15,000	£15,000-£20,000	£20,000+	TOTAL
Owned (no mortgage)	26.5%	15.7%	11.8%	5.6%	4.8%	35.7%	100.0%
Owned (with mortgage)	31.1%	24.7%	10.5%	6.6%	5.6%	21.5%	100.0%
Social rented	61.5%	26.1%	5.5%	1.0%	1.9%	4.0%	100.0%
Private rented	43.6%	26.3%	11.1%	5.4%	7.3%	6.1%	100.0%
Other	35.9%	46.7%	0.0%	0.0%	0.0%	17.5%	100.0%
Total	40.0%	22.9%	9.6%	4.6%	4.7%	18.0%	100.0%

Source: Household Survey

**7.113** The NPPF (last updated in July 2021) gives a clear direction that 10% of all new housing (on larger sites) should be for affordable home ownership (in other words, if 20% of homes were to be affordable, then half would be affordable home ownership) and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO).

**7.114** It is not clear at this stage whether there is any scope to challenge the 'minimum of 25%', nor what role other tenures of affordable home ownership (such as shared ownership) might play. It is possible that provision of First Homes could squeeze out other forms of LCHO such as shared ownership, although it is likely that there will still be a role for this type of housing given typically lower deposit requirements.

**7.115** Whilst there are clearly many households in the gap between renting and buying, they in some cases will be able to afford homes below lower quartile housing costs. That said, it is important to recognise that some households will have insufficient savings to be able to afford to buy a home on the open market (particularly in terms of the ability to afford a deposit) and low-cost home ownership homes –

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and shared ownership homes in particular – will therefore continue to play a role in supporting some households in this respect.

- 7.116** The evidence points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).
- 7.117** There will also be a role for AHO on any 100% affordable housing schemes that may come forward (as well as through Section 106). Including a mix of both rented and intermediate homes to buy would make such schemes more viable, as well as enabling a range of tenures and therefore potential client groups to access housing.
- 7.118** In addition, it should also be noted that the finding of a ‘need’ for affordable home ownership does not have any impact on the overall need for housing. It seems clear that this group of households is simply seeking to move households from one tenure to another (in this case from private renting to owner-occupation); there is therefore no net change in the total number of households, or the number of homes required.

#### **How Much Should Affordable Home Ownership Homes Cost?**

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- 7.119** The analysis and discussion above suggest that there are a number of households likely to fall under the PPG definition of needing affordable home ownership (including First Homes) – i.e. in the gap between renting and buying – but that the potential supply of low-cost housing to buy makes it difficult to fully quantify this need. However, given the NPPF, the Council is likely to need to consider some additional homes on larger sites as some form of affordable home ownership (AHO).
- 7.120** The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). It is considered that First Homes and shared ownership are likely to be the main affordable home ownership tenures moving forward although it is accepted that some delivery may be of other products. This section also provides some comments about Rent to Buy housing.
- 7.121** The reason for the analysis to follow is that it will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group – for example there is no point in discounting a new market home by 30% if the price still remains above that for which a reasonable home can already be bought in the open market.

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## **Discounted Market Sales Housing (focussing on First Homes)**

**7.122** In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

*First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

*First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

**7.123** In terms of eligibility criteria, a purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).

**7.124** As noted above, the problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a premium. The preferred approach in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home:

- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Birmingham is £650 per month;
- On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £2,167 per month to afford (£650/0.30) or £26,000 per annum; and

- With an income of £26,000, it is estimated that a household could afford to buy a home for around £130,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a four and a half times mortgage multiple – calculated as  $£26,000 \times 4.5 / 0.9$ .

**7.125** Therefore, £130,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Birmingham. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately. In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford.

**7.126** On this basis, it is considered reasonable to look at the cost of First Homes as a range, from the equivalent private rent figure up to a midpoint of the cost of open market purchase and the relevant private rented figure (for a 2-bedroom home this is £150,000, giving a midpoint of £140,000). The use of a midpoint would mean that only around half of households in the rent/buy gap could afford, and therefore any housing provided at such a cost would need to also be supplemented by an equivalent number at a lower cost (which might include other tenures such as shared ownership).

**7.127** The table below therefore sets out a suggested purchase price for affordable home ownership/First Homes. The tables also show an estimated Open Market Value (OMV) and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home were to actually be £200,000 (rather than the modelled £172,500) then the discount would be in the range of 30% and 35%.

**7.128** On the basis of the specific assumptions used, the analysis points to a discount of up to 25% for 2-bedroom homes and a figure of around 30%+ for larger (3+-bedroom) properties. Given that a single discount figure is likely to be needed for plan making purposes and that the minimum discount is 30% it is suggested that a 30% discount is reasonable, with the expectation that most First Homes will be 2-bedroom.

**Table 7.23 Affordable home ownership prices – data for year to March 2021 – Birmingham**

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£115,000-£117,500	£138,000	15%-17%
2-bedrooms	£130,000-£140,000	£172,500	19%-25%
3-bedrooms	£140,000-£160,000	£207,000	23%-32%
4+-bedrooms	£180,000-£215,000	£287,500	25%-37%

Source: Derived from a range of sources as described

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**7.129** It should also be noted that the analysis above is for the whole of the local authority area; the pricing of housing does vary across the City and therefore adjustments to the figures might be appropriate in some instances. That said, affordable needs can be met anywhere in the authority (where opportunities arise) and so using an expectation of an authority-wide affordability calculation should ensure affordable products on sites regardless of location.

**7.130** While greater discounts would make such homes more affordable to those seeking them, they would have an overall detrimental impact on a schemes viability (as greater discounts result in greater costs to the developer) and specifically the delivery of other forms of rental affordable housing. We therefore do not recommend that greater levels of discount be sought or accepted.

### **First Homes: Other Considerations**

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**7.131** The paragraphs below seek to answer a series of questions in relation to First Homes. This should help the Council in deciding the appropriate approach, although ultimately there will be choices and decisions to be made by the Council that this report can only comment on.

- *Is there a justification for a discount of greater than 30%, if so, what should it be?*

**7.132** Overall, there is no strong case to seek a discount in excess of 30%, across the City generally this level of discount looks to be sufficient to make homes affordable. It is however the case that a higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. However, providing a higher discount may well have an impact on viability, meaning the Council will not be able to provide as many homes in other tenures (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market).

**7.133** The Council could therefore investigate higher discounts, but it is not recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable delivery.

- *Is the maximum price of £250K after discount an appropriate maximum sales value?*

**7.134** Given the cost of housing in the City and calculations about the cost of First Homes to be affordable it is considered that there is a case for setting a price cap. Taken in the round, recognising prices across the City and the likely profile of First Homes (by size) the Council could consider a price cap of around £160,000 at the present time. However, given that First Homes are a new tenure and the fact that prices vary across the City it is not recommended at the present time that a price cap is applied. The Council should monitor the pricing of First Homes and the demand for products.

- *Is the national threshold of £80,000 for household income appropriate?*

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**7.135** Linked to the possibility of a price cap it follows that an income cap could also be applied. In this case the Council could consider an income cap of around £40,000-£45,000. On the basis of local pricing, the analysis suggests that households with an income in excess of this level are likely to be able to buy a home in many parts of the City and so applying a cap can help to ensure that housing is provided for those with a greater need (more marginal affordability). However, as noted above it is suggested the Council monitor the delivery of First Homes before applying any local restrictions.

**7.136** Overall, the cost of housing in the City does point to the possibility of the Council applying both price and income caps, although a standard 30% discount of prices looks to be broadly reasonable at the current time. However, with First Homes being a new tenure it is entirely unclear about the level of demand for this type of home and whether applying local restrictions would make schemes difficult to sell. Therefore it is recommended that for the time being the Council simply follow national defaults for discounts, price caps and income caps and monitor the success of such schemes.

**7.137** Additionally, it should be noted that it is not recommended that the Council seeks more than 25% of affordable housing as First Homes. This is because delivery of more First Homes would reduce the number of other types of affordable housing (such as social/affordable rented and shared ownership). Other forms of affordable housing are likely to be available to more households (due to lower income requirements) and are also likely to be needed by households with greater needs (i.e. those who have fewer choices in the housing market).

- *Should Local Criteria be Established for Accessing First Homes?*

**7.138** As established earlier in this report the lower quartile cost of a 1-bed house in the City is £120,000 which in order to afford would require a household income of around £24,000. This is based on 10% deposit and 4.5 times income multiplier.

**7.139** We have looked at income indicators for a range of essential workers, as defined in the NPPF, to see whether individual incomes are sufficient to purchase a home within the City. If that is not the case, then the Council may wish to consider a local eligibility criteria for prioritising First Homes for these employees.

**7.140** The income data below is taken from published sources some of which are national rather than local figures. We have used starting salary as a better approximation of lower quartile earning for these occupations:

- Nurse - £25,655 band 5 starting salary
- Teacher - £25,714 spine position/point 1
- Police Officer - £26,199 Constable starting salary.



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- Fire Fighter - £22,900 starting salary
  - Soldier - £20,400 starting salary
  - Social Worker - £25,000 starting salary

**7.141** With the exception of a soldier and firefighter, in all other cases individual incomes are sufficient to meet the income requirements to buy a 1-bedroom home in the City. In the case of fire fighters this increases to £30,500 when competent which is typically around three years and soldiers are often provided with accommodation at that level. It is therefore unnecessary for the Council to consider a local eligibility criteria for most essential local workers in the City.

**7.142** This is not the case should they wish to buy a 2-bedroom home or larger. However, if that were the case the household is potentially likely to have a second income and that would need to be tested.

### **Shared Ownership**

**7.143** Whilst the Government has a clear focus on First Homes, they also see a continued role for Shared Ownership, launching a 'New Model for Shared Ownership' in early 2021 (following a 2020 consultation) – this includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase. Additionally, the rental part of the cost will be subsidised by a Registered Provider and therefore keeps monthly outgoings down.

**7.144** For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

**7.145** Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- OMV at LQ price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a LQ level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%;

- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households sitting towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property;

**7.146** The table below shows that to make shared ownership affordable, equity shares in the region of 35%-50% could work for most sizes of home. It should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely OMV). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

**Table 7.24 Estimated Affordable Equity Share by Size – Birmingham**

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
OMV	£138,000	£172,500	£207,000	£287,500
Share	47%	36%	44%	34%
Equity Bought	£64,600	£62,800	£91,700	£98,000
Mortgage Needed	£58,100	£56,500	£82,500	£88,200
Monthly Cost of Mortgage	£307	£298	£436	£466
Retained Equity	£73,400	£109,700	£115,300	£189,500
Monthly Rent on Retained Equity	£168	£251	£264	£434
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£575	£650	£700	£900

Source: Data based on Housing Market Cost Analysis

**7.147** In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 36% equity share for 2-bedroom home, this is based on a specific set of assumptions. Were a scheme to come forward with a 36% share, but a total cost in excess of £650 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. Hence the actual share can only be calculated on a scheme-by-scheme basis. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

### Rent to Buy

**7.148** A further affordable option is Rent to Buy; this is a government scheme designed to ease the transition from renting to buying the same home. Initially (typically five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards

a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.

**7.149** At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.

**7.150** In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower than market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership), it should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

### Essential Local Workers

**7.151** Annex 2 of the NPPF also includes the needs of essential local workers *'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers' [emphasis added]. Essential local workers are defined as *'Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers'*.*

**7.152** To give an indication of the number of essential workers in Birmingham analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories – this shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent 'essential workers'. The analysis shows that around 32% of resident workers are considered 'essential workers' in the City – this figure is slightly higher than that seen regionally and nationally (both at 28%).

#### Number and proportion of essential workers in a range of areas

	Birmingham		West Midlands	England
	Resident workers	% of workers	% of workers	% of workers

	Birmingham		West Midlands	England
Agriculture, energy and water	5,190	1.2%	2.6%	2.3%
Manufacturing	39,375	9.2%	12.3%	8.9%
Construction	25,808	6.1%	7.5%	7.7%
Distribution, hotels and restaurants	93,649	22.0%	22.3%	21.5%
Transport and communication	37,010	8.7%	8.1%	9.1%
Financial, Real Estate, Professional & Administration	69,758	16.4%	14.3%	17.5%
Public administration, education and health	135,331	31.8%	28.4%	28.2%
Other	19,627	4.6%	4.5%	5.0%
All industries	425,748	100.0%	100.0%	100.0%

Source: 2011 Census

**7.153** The table below shows how the number of essential workers varies across sub-areas. There are some notable variations in proportions, ranging from 27% of workers in Hodge Hill, up to 38% in Edgbaston and Selly Oak.

**Table 7.25** Number and proportion of essential workers – sub-areas

	Resident essential workers	% of workers in area	% of resident workers
Central	17,434	29.3%	12.9%
Edgbaston	14,278	37.7%	10.6%
Erdington	12,446	29.0%	9.2%
Hall Green	10,215	32.3%	7.5%
Hodge Hill	8,784	27.1%	6.5%
Northfield	17,059	36.3%	12.6%
Perry Barr	12,885	29.2%	9.5%
Selly Oak	16,357	37.6%	12.1%
Sutton Coldfield	15,017	31.9%	11.1%
Yardley	10,856	27.5%	8.0%
Birmingham	135,331	31.8%	100.0%

Source: 2011 Census

**7.154** The 2011 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, with similar levels of owner-occupation, social renting and private renting as is seen across the whole City.

**Table 7.26 Housing tenure by industry of employment (2011) – Birmingham**

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	69%	11%	20%
Manufacturing	72%	13%	15%
Construction	72%	12%	17%
Distribution, hotels and restaurants	55%	19%	26%
Transport and communication	68%	13%	20%
Financial, Real Estate, Professional and Administration	62%	14%	24%
Public administration, education and health	63%	16%	21%
Other	54%	17%	29%
All industries	63%	15%	22%

Source: 2011 Census

- 7.155** It is also possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Birmingham) for nurses, firefighters, teachers, police officers and childcare was undertaken in September 2021. This showed a range of salaries, but typically in the range of about £20,000 to £30,000 per annum. The average salary was around £25,000 although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.
- 7.156** With a salary of £25,000, an individual might be able to buy a home for around £125,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £250,000. This latter figure would allow the household to afford to buy a home across much of the study area, but the single income would make home ownership difficult (particularly in higher value locations), and this population could be a potential target for affordable home ownership products.
- 7.157** Overall, the analysis does not point towards there being a particular and specific need for affordable housing for essential workers. Whilst such workers make up a slightly higher part of the workforce than is the case in many areas they are as likely to be owner-occupiers as other industry groups. However, on the basis of local incomes (notably for single income essential workers), access to the owner-occupied sector may be restricted by income and it may be appropriate to consider whether or not some affordable properties should be set aside for essential local workers.

### **Summary of Affordable Housing Need**

- 7.158** The table below brings together the estimates of annual need for rented affordable housing and affordable home ownership to consider the balance between tenures in different areas. This table should be considered for reference purposes and will not directly inform decisions about an appropriate mix for any individual area – that will in part be informed by viability and also any local

priorities such as to maximise provision of rented accommodation as that is likely to be required by households with the most acute needs.

**Estimated annual need for affordable housing split between rented and affordable home ownership by sub-area**

	Rented affordable need	Affordable home ownership need	Total annual need	% as AHO
Central	925	253	1,178	21%
Edgbaston	409	146	555	26%
Erdington	480	51	531	10%
Hall Green	436	149	585	25%
Hodge Hill	629	-2	627	0%
Northfield	435	51	486	11%
Perry Barr	717	36	753	5%
Selly Oak	501	36	537	7%
Sutton Coldfield	379	232	611	38%
Yardley	485	78	563	14%
Birmingham	5,396	1,031	6,426	16%

Source: Draws from earlier analysis

### **Key Points: Affordable Housing Need**

*Analysis has been undertaken to estimate the need for affordable housing in the 2020-40 period. The analysis is split between a need for social/affordable rented accommodation and is based on households unable to buy or rent in the market and the need for affordable home ownership (AHO) – this includes housing for those who can afford to rent privately but cannot afford to buy a home and will include the potential market for First Homes.*

*The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at rented needs, consideration is given to estimates of the supply of social/affordable rented housing. For AHO, consideration is given to the potential supply of resales of low-cost home ownership properties (such as shared ownership).*

*When looking at rented needs, the analysis suggests a need for 5,396 affordable homes per annum across the whole study area, with a need shown for all individual sub-areas; the Council is therefore justified in seeking to secure additional affordable housing.*

### **Estimated Need for Social/Affordable Rented Housing by sub-area (per annum)**

	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Central	247	947	384	1,579	654	925
Edgbaston	81	437	161	680	271	409
Erdington	86	524	220	831	350	480
Hall Green	114	368	67	548	112	436
Hodge Hill	138	600	209	947	319	629
Northfield	62	526	250	837	402	435
Perry Barr	174	625	140	940	222	717
Selly Oak	77	513	167	757	256	501
Sutton Coldfield	40	379	59	477	98	379
Yardley	88	488	159	735	250	485
TOTAL	1,107	5,409	1,815	8,331	2,935	5,396

*Source: Derived from a range of sources as set out below*

*Despite the level of need being high, it is not considered that this would necessarily point to any requirement for the Council to increase the Local Plan housing requirement above that suggested by the Standard Method. The link between affordable need and overall need (of all*

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*tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). Additionally, most of the affordable need is already part of the demographic projections which are used to drive the Standard Method and so any additional provision would arguably be double counting. That said, the level of affordable need across areas can form part of the consideration of the distribution of housing for different location, along with an understanding of demographic trends and economic growth.*

*The analysis suggests that there will be a need for both social and affordable rented housing – the latter will be suitable particularly for households who are close to being able to afford to rent privately and also for some households who claim full Housing Benefit. On this basis, it is not recommended that the Council has a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required.*

*When looking at the need for AHO products, the analysis also suggests a need across the study area, albeit (at 1,031 per annum) the need is lower than for rented housing. In interpreting this figure it should however be noted that there could be additional supply from resales of market homes (below a lower quartile price) which arguably would mean there is a much more limited need for AHO.*

*Analysis does suggest that there are many households in Birmingham who are being excluded from the owner-occupied sector (as evidenced by reductions in owners with a mortgage and increases in the size of the private rented sector). This suggests that a key issue in the study area is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.*

*The study also considers different types of AHO (notably First Homes and shared ownership) as each will have a role to play – shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent.*

*In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).*



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*Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.*

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## 8. HOUSING MIX AND FAMILY HOUSING

### Introduction

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- 8.1 This section considers the appropriate mix of housing across Birmingham, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

### Background Data

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- 8.2 The number of families in Birmingham (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 139,400 as of the 2011 Census, accounting for 34% of households; this proportion is higher than the regional (30%) and national average (29%).

#### Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other households	Households With no dependent Children	Total	Total with dependent children
Birmingham	No.	63,004	14,637	41,471	20,256	271,368	410,736	139,368
	%	15.3%	3.6%	10.1%	4.9%	66.1%	100.0%	33.9%
West Midlands	%	15.4%	4.3%	7.5%	2.9%	69.8%	100.0%	30.2%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: Census (2011)

- 8.3 The table below shows the same information for each sub-area. The analysis shows relatively few family households in Sutton Coldfield (29%) and nearly 44% of households in Hodge Hill; this area also sees a higher proportion of lone parent households than other locations.

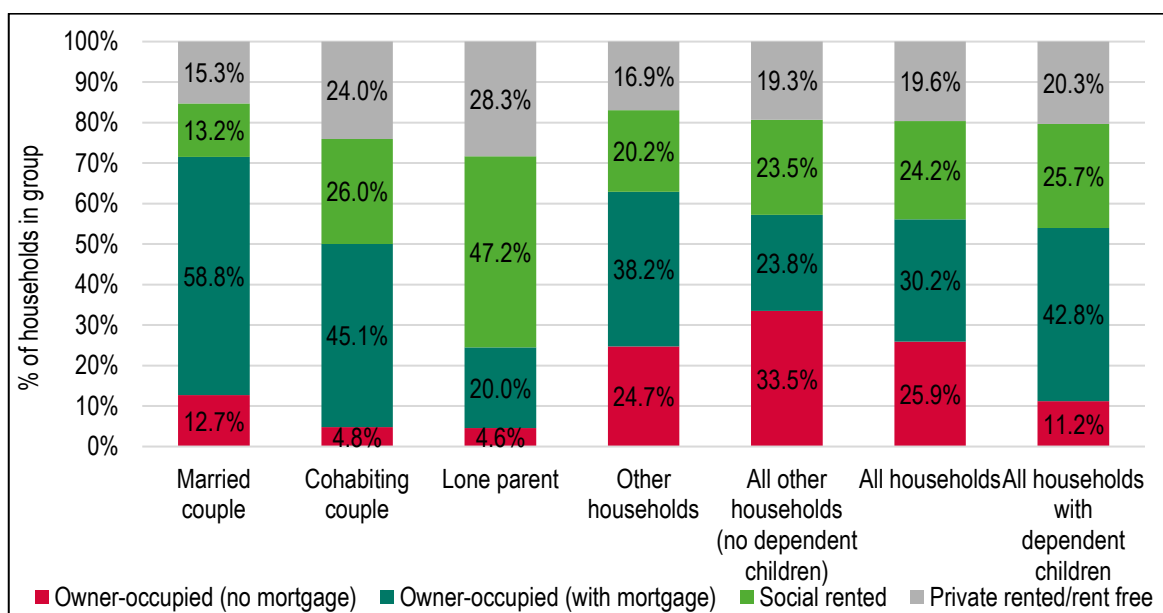
**Table 8.1 Households with dependent children (2011) – by sub area**

	Married couple	Cohabiting couple	Lone parent	Other households	All other households	Total	Total with dependent children
Central	15.8%	1.8%	10.7%	6.8%	65.0%	100.0%	35.0%
Edgbaston	13.2%	3.5%	9.6%	3.8%	69.9%	100.0%	30.1%
Erdington	11.7%	4.9%	12.0%	3.9%	67.6%	100.0%	32.4%
Hall Green	19.0%	2.3%	6.8%	7.1%	64.8%	100.0%	35.2%
Hodge Hill	18.8%	4.1%	13.2%	7.5%	56.4%	100.0%	43.6%
Northfield	12.3%	5.0%	11.5%	2.8%	68.3%	100.0%	31.7%
Perry Barr	17.5%	3.1%	11.0%	8.1%	60.4%	100.0%	39.6%
Selly Oak	13.4%	3.9%	9.0%	3.0%	70.6%	100.0%	29.4%
Sutton Coldfield	18.3%	3.2%	5.3%	2.1%	71.0%	100.0%	29.0%
Yardley	15.3%	4.2%	10.4%	4.5%	65.7%	100.0%	34.3%
Total	15.3%	3.6%	10.1%	4.9%	66.1%	100.0%	33.9%

Source: Census (2011)

**8.4** The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In Birmingham, only 25% of lone parent households are owner-occupiers compared with 72% of married couples with children.

**Table 8.2 Tenure of households with dependent children (2011) – Birmingham**

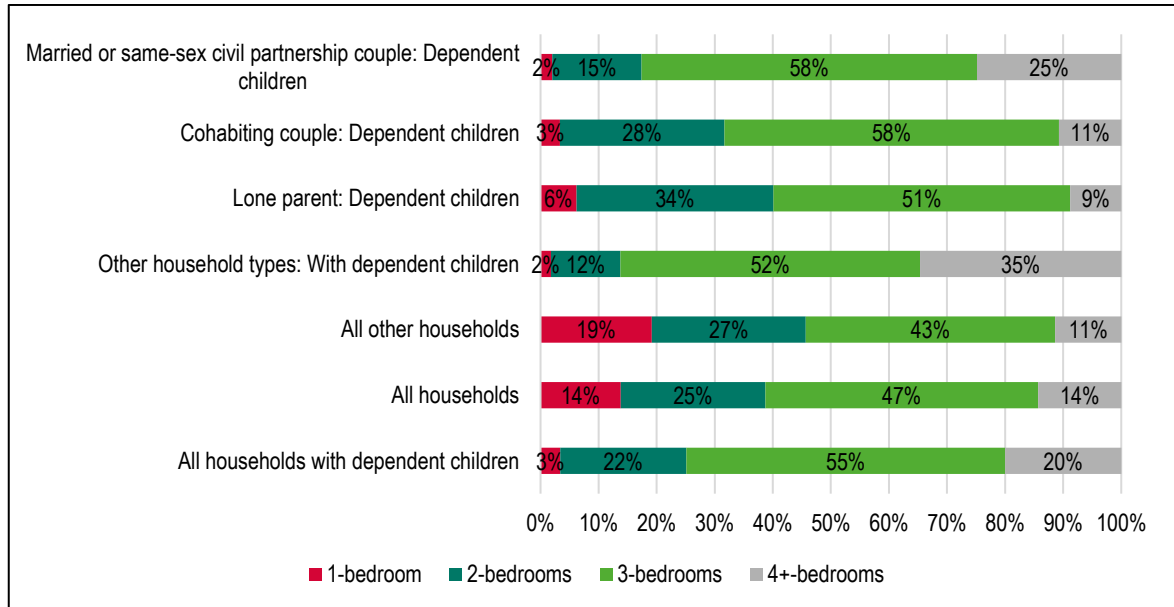


Source: Census (2011)

**8.5** The figure below shows the number of bedrooms for family households at the point of the 2011 Census. The analysis shows the differences between married, cohabiting and lone parent families. Across the study area, the tendency is for family households to occupy 3-bedroom housing with varying degrees of 2-and 4+-bedroom properties depending on the household composition. The data

also, unsurprisingly, highlights the small level of 1-bed stock occupied by families across the board. As a result, we could expect continued demand for 3+-bedroom homes from family households.

**Table 8.3** Number of Bedrooms by Family Household Type, 2011 – Birmingham

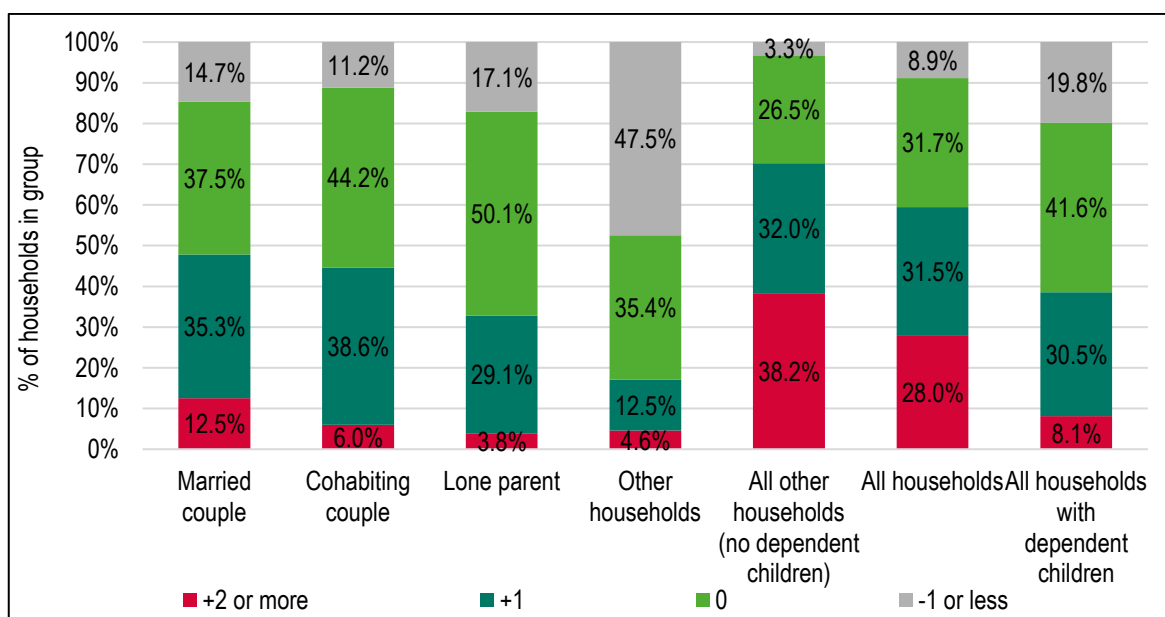


Source: Census (2011)

**8.6** The figure below shows the occupancy rating of households with dependent children (i.e. whether the household is overcrowded or under-occupying their home). The analysis shows a notable level of overcrowding in households with dependent children, with nearly 20% being considered as overcrowded using the bedroom standard, this compares with just 3% of household with no dependent children.

**8.7** All household type groups have high levels of overcrowding although the 'Other' group stands out with approaching half of households being overcrowded – this group is likely to include multi-generational households.

**Table 8.4** Occupancy rating of households with dependent children (2011) – Birmingham



Source: Census (2011)

### The Current Mix of Housing

- 8.8** A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much.
- 8.9** On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period to 2040 (from 2020).
- 8.10** An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock that is dominated by 3-bedroom homes (making up 58% of the total in this tenure group, a higher proportion than seen regionally or nationally). The profile of the social rented sector is broadly similar across areas as is the private rented sector (although again there are a relatively high number of 3-bedroom homes when compared with national data). Observations about the current mix feed into conclusions about future mix later in this section.

### Number of Bedrooms by Tenure, 2011

		Birmingham	West Midlands	England
Owner-occupied	1-bedroom	3%	2%	4%
	2-bedrooms	19%	20%	23%
	3-bedrooms	58%	54%	48%
	4+-bedrooms	20%	24%	25%
	Total	100%	100%	100%
Social - rented	1-bedroom	31%	29%	31%
	2-bedrooms	32%	34%	34%
	3-bedrooms	31%	33%	31%
	4+-bedrooms	5%	4%	4%
	Total	100%	100%	100%
Private - rented	1-bedroom	22%	18%	23%
	2-bedrooms	32%	37%	39%
	3-bedrooms	35%	36%	28%
	4+-bedrooms	11%	10%	10%
	Total	100%	100%	100%

Source: Census (2011)

- 8.11** Although not broken down by tenure recent delivery has been focused on 1-bedroom and 2-bedroom homes which combined contributed 69% of housing delivery between 2011/12 and 2019/20. This would only alter the above table by small amounts as it only contributes a small amount of the total stock.

### Overview of Methodology

- 8.12** The method to consider future housing mix looks at the ages of the Household Reference Persons and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

### Understanding How Households Occupy Homes

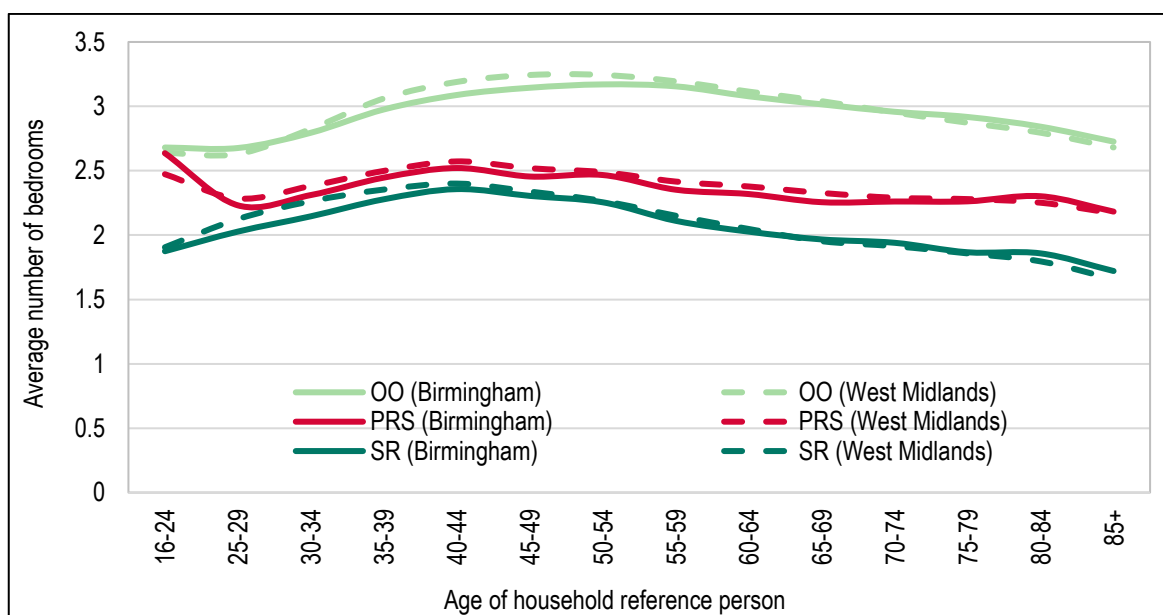
- 8.13** Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.14** The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason a single person cannot buy (or choose to

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live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

- 8.15** That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.16** The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 8.17** The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 8.18** The figures below show an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for Birmingham and the West Midlands. In the owner-occupied sector the average size of accommodation rises over time to typically reach a peak around the age of 50; a similar pattern (but with smaller dwelling sizes and an earlier peak) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some small differences between Birmingham and the region, although average dwelling sizes by age of HRP are similar in both areas.

**Table 8.5 Average Bedrooms by Age and Tenure in Birmingham and the West Midlands**



Source: Census (2011)

**8.19** Replicating the existing occupancy patterns at a local level would however result in the conclusions being skewed by the existing housing profile. On this basis a further model has been developed that applies regional occupancy assumptions for the West Midlands region. Assumptions are applied to the projected changes in Household Reference Person by age discussed below.

**8.20** The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government’s desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

**Changes to Households by Age**

**8.21** The table below presents the projected change in households by age of household reference person, this shows growth as being expected in all age groups and in particular some older age groups. The number of households headed by someone aged 50-59 is projected to see more modest growth over the period studied.



**Table 8.6 Projected Change in Household by Age of HRP in Birmingham – linking to the Demographic Assessment - Scenario 2**

	2020	2040	Change in Households	% Change
16-24	26,807	30,825	4,018	15.0%
25-29	34,893	41,887	6,993	20.0%
30-34	41,375	52,664	11,288	27.3%
35-39	41,066	46,084	5,018	12.2%
40-44	40,643	47,905	7,262	17.9%
45-49	39,254	46,647	7,393	18.8%
50-54	39,582	42,032	2,450	6.2%
55-59	37,008	38,927	1,919	5.2%
60-64	30,756	35,231	4,475	14.6%
65-69	26,852	33,440	6,588	24.5%
70-74	24,210	33,165	8,955	37.0%
75-79	19,144	27,244	8,100	42.3%
80-84	15,913	20,519	4,606	28.9%
85 & over	15,925	20,864	4,939	31.0%
Total	433,430	517,435	84,005	19.4%

Source: Demographic Projections

### Initial Modelled Outputs

- 8.22** By following the methodology set out above and drawing on the sources shown including the demographic scenarios population outputs, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.23** The analysis for rented affordable housing can also draw on data from the local authority Housing Register with regards to the profile of need. The data has been taken from the Local Authority Housing Statistics (“LAHS”) and shows a pattern of need which see a notable number in all bedroom size categories. Compared with data for England there is very much a focus on larger homes (nationally 48% of households registered need 1-bedroom and only 5% need 4+-bedrooms).

### Size of Social/Affordable Rented Housing – Housing Register Information (2020/21)

	Number of households	% of households
1-bedroom	4,136	23.9%
2-bedrooms	5,272	30.5%
3-bedrooms	4,765	27.5%
4+-bedrooms	3,134	18.1%
Total	17,307	100.0%

Source: Local Authority Housing Statistics, 2022

**8.24** The tables below show the modelled outputs of need by dwelling size in the three broad tenures. Tables are providing by linking to local and regional occupancy patterns with a further table combining the outputs from the two models.

**Table 8.7 Modelled Mix of Housing by Size and Tenure in Birmingham (linked to local occupancy patterns)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	20%	59%	18%
Affordable home ownership	23%	32%	34%	10%
Affordable housing (rented)	33%	33%	30%	5%

Source: Housing Market Model

**Table 8.8 Modelled Mix of Housing by Size and Tenure in Birmingham (linked to regional occupancy patterns)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	2%	23%	52%	23%
Affordable home ownership	16%	40%	35%	9%
Affordable housing (rented)	28%	36%	33%	3%

Source: Housing Market Model

**Table 8.9 Modelled Mix of Housing by Size and Tenure in Birmingham (combining methodologies)**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	22%	55%	20%
Affordable home ownership	19%	36%	35%	10%
Affordable housing (rented)	30%	34%	32%	4%

Source: Housing Market Model

**8.25** The tables above all used the Demographic Assessment projection (Scenario 2) to look at the mix of housing – this is 4,326 dwellings per annum. Below a table is provided where the projection is replaced by one which leads to 3,500 dwellings per annum – this being approximately the level of development seen in the recent past. It can be seen there are only very minor differences in the

outputs, suggesting that the choice of a projection in the modelling has only a limited impact on the outputs.

**Table 8.10 Modelled Mix of Housing by Size and Tenure in Birmingham (combining methodologies) – linking to provision of 3,500 dwellings per annum**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	3%	22%	55%	20%
Affordable home ownership	20%	36%	35%	10%
Affordable housing (rented)	31%	34%	32%	4%

*Source: Housing Market Model*

### Adjustments for Under-Occupation and Overcrowding

- 8.26** The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2011 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2011 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and also those who under-occupy (have more bedrooms than they need).
- 8.27** Whilst it would not be reasonable to expect to remove all under-occupancy (particularly in the market sector) it is the case that in seeking to make the most efficient use of land it would be prudent to look to reduce this over time. Indeed, in the future there may be a move away from current (2011) occupancy patterns due to affordability issues (or eligibility in social rented housing) as well as the type of stock likely to be provided (potentially a higher proportion of flats). Further adjustments to the modelled figures above have therefore been made to take account of overcrowding and under-occupancy (by tenure).
- 8.28** The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2011, there were 171,300 households with some degree of under-occupation and just 15,000 overcrowded households.

**Table 8.11 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector) – Birmingham**

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	60,328	32,485	92,813
+1	0	30,882	39,344	8,220	78,446
0	6,361	10,299	24,860	2,732	44,252
-1	637	2,549	6,937	1,084	11,207
-2	301	613	2,311	613	3,838
Total	7,299	44,343	133,779	45,135	230,556

Source: Census (2011) (+1 and +2 means 1 and 2 extra bedrooms -1 and -2 mean 1 and 2 fewer bedrooms)

**8.29** For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing. It is also the case that overcrowding is likely to have increased since 2011 particularly in PRS as a result of affordability constraints, increased migration and increased HMO properties.

**Table 8.12 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector) – Birmingham**

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	9,319	1,395	10,714
+1	0	15,009	8,469	1,889	25,367
0	27,514	12,963	9,566	1,336	51,379
-1	3,279	3,731	3,026	281	10,317
-2	521	544	667	83	1,815
TOTAL	31,314	32,247	31,047	4,984	99,592

Source: Census (2011) (+1 and +2 means 1 and 2 extra bedrooms -1 and -2 mean 1 and 2 fewer bedrooms)

**Table 8.13 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector) – Birmingham**

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	8,862	2,528	11,390
+1	0	12,671	8,712	4,166	25,549
0	15,075	10,137	7,730	1,438	34,380
-1	2,523	2,441	2,333	431	7,728
-2	475	433	511	122	1,541
TOTAL	18,073	25,682	28,149	8,684	80,588

Source: Census (2011) (+1 and +2 means 1 and 2 extra bedrooms -1 and -2 mean 1 and 2 fewer bedrooms)

**8.30** In using this data in the modelling an adjustment is made to move some of those who would have been picked up in the modelling as under-occupying into smaller accommodation. Where there is

under-occupation by 2 or more bedrooms, the adjustment takes 25% of this group and assigns to a '+1' occupancy rating and a further 12.5% (i.e. an eighth) to a '0' rating. For households with one spare bedroom, 12.5% are assigned to a '0' rating (with the others remaining as '+1'). These do need to be recognised as assumptions, but can be seen to be reasonable as they do retain some degree of under-occupation (which is likely) but does also seek to model a better match between household needs and the size of their home. For overcrowded households a move in the other direction is made, in this case households are moved up as many bedrooms as is needed to resolve the problems.

**8.31** The adjustments for under-occupation and overcrowding lead to the suggested mix as set out in the following tables. It can be seen that this tends to suggest a smaller profile of homes as being needed (compared to the initial modelling) with the biggest change being in the market sector – which was the sector where under-occupation is currently most notable.

**Table 8.14 Adjusted Modelled Mix of Housing by Size and Tenure – Birmingham**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	7%	32%	43%	18%
Affordable home ownership	19%	40%	30%	11%
Affordable housing (rented)	30%	36%	28%	6%

Source: Housing Market Model (with adjustments)

### Survey data on size requirements

**8.32** The household survey included a series of questions to householders about future moving intentions. The series of analysis provides key details from this with a particular focus on the sizes of homes required in different tenures. Two different groups have been analysed:

- Existing households stating a need to move home; and
- Existing households stating they would like to move home.

### Households Stating a Need to Move

**8.33** The first group are those who stated that they NEED to move to a different home. In total, 13.1% of households (about 56,700) stated that they did need to move, a cross-tabulation with current tenure shows that these households were far more likely to be living in social or private rented accommodation than to be an owner-occupier.

**Table 8.15 Current Tenure of Households Stating a NEED to Move Home – Birmingham**

	Number needing to move	Estimated size of tenure group	% of tenure group needing to move	% of those needing to move in tenure group
Owns outright	6,797	126,926	5.4%	12.0%
Owns with mortgage	6,737	108,507	6.2%	11.9%
Social rented	22,335	112,063	19.9%	39.4%
Private rented	18,791	82,792	22.7%	33.2%
Other	2,001	3,141	63.7%	3.5%
Total	56,661	433,429	13.1%	100.0%

Source: Household survey

- 8.34** Of those stating a need to move, approaching half said they needed to move now, and virtually all said they needed to move within the next five years – those needing to move within five years were then asked a series of further questions about their intentions.

**Table 8.16 When Households who NEED to move say they need to move – Birmingham**

	Estimated number of households	% of households
Now	25,476	45.0%
Within a year	13,568	23.9%
1-3 years	12,302	21.7%
3-5 years	4,214	7.4%
Over 5 years	1,101	1.9%
Total	56,661	100.0%

Source: Household survey

- 8.35** In terms of tenure, households were asked what type of tenure they would like and also the tenure expected. The table below shows that those needing to move generally have a higher preference for social renting, with an even higher proportion expecting to secure social rented accommodation. Around 36% would like owner-occupation but a lower proportion (27%) expect this tenure of housing. Relatively few either want or expect private renting (although the other category will include some tenures that would be considered as private renting such as a flat/house share).

**Table 8.17 Tenure Households would Like and Expect (those stating a need to move within 5-years) – Birmingham**

	Like	Expect
Owner-occupation	35.9%	27.3%
Social rented	45.5%	57.2%
Private rented	10.9%	10.1%
Other	7.7%	5.4%
Total	100.0%	100.0%

Source: Household survey

**8.36** The final analysis of those who need to move looks at the number of bedrooms they say they need and how many they expect to secure. The analysis below has been segmented by tenure with any households stating either a like or expect within any tenure group being included in that groups (this does mean that some households will be included in more than one group).

**8.37** In the owner-occupied sector it can be seen that the main focus is on 3-bedroom homes, with also some demand for 2- and 4+-bedroom properties (and relatively few 1-bedroom homes). In the social rented sector the need is focussed on 2-bedroom homes, although there is an appreciable demand for homes with 3+-bedrooms (and also for 1-bedroom accommodation). Finally, in the private rented sector, the demand is very much focussed on 2- and 3-bedroom homes.

**Table 8.18** Number of bedrooms needed and expected by future tenure – Birmingham

	Owner-occupation		Social rented		Private rented and other	
	Need	Expect	Need	Expect	Need	Expect
1-bedroom	9.4%	4.1%	24.3%	23.2%	16.6%	18.9%
2-bedrooms	29.8%	25.6%	31.0%	39.7%	27.7%	36.6%
3-bedrooms	28.8%	41.6%	31.4%	19.0%	40.5%	28.0%
4+-bedrooms	32.0%	28.8%	13.4%	18.0%	15.2%	16.6%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Household survey

### Households Stating they Would Like to Move

**8.38** A similar set of questions were asked of households who stated that they would LIKE to move to a different home (even if you do not NEED too). In total there were some 34.4% of households who said they would like to move, notably higher than the numbers who said they needed to move. Again these households were asked when they would like to move, with any moving within the next 5-years being asked further questions about their aspirations.

**8.39** In terms of when households would like to move, the survey analysis still shows (like the NEED to move group) that households would like to move sooner in the 5-year period although fewer households have said they need to move now or within a year.

**Table 8.19** When Households who would LIKE to move say they are likely to move – Birmingham

	Estimated number of households	% of households
Now	45,453	30.5%
Within a year	30,636	20.6%
1-3 years	35,830	24.1%
3-5 years	19,787	13.3%
Over 5 years	17,262	11.6%
Total	148,968	100.0%

Source: Household survey

**8.40** In terms of tenure, again households were asked what type of tenure they would like and also the tenure expected. The table below shows that those wanting to move generally have a higher preference for owner-occupation (when compared with the need to move group). There is also a relatively high demand for social rented housing, but relatively few say they would like to live in the private rented sector.

**Table 8.20** Tenure Households would Like and Expect (those stating they would like to move within 5-years) – Birmingham

	Like	Expect
Owner-occupation	59.5%	54.6%
Social rented	26.8%	28.7%
Private rented	8.5%	11.8%
Other	5.1%	4.9%
Total	100.0%	100.0%

Source: Household survey

**8.41** In terms bedrooms, the analysis (below) is broadly similar to that for households needing to move in terms of the sizes of homes in different tenures, this shows a focus on 3-bedroom homes in the owner-occupied sector, and for 2-bedroom homes in both the social and private rented sectors. However, in all cases it is clear there are households who would like or expect a full range of different dwelling sizes.

**Table 8.21** Number of bedrooms needed and expected by future tenure – Birmingham

	Owner-occupation		Social rented		Private rented and other	
	Like	Expect	Like	Expect	Like	Expect
1-bedroom	2.9%	3.5%	21.5%	23.8%	10.7%	13.6%
2-bedrooms	25.2%	29.0%	33.6%	34.2%	40.5%	47.9%
3-bedrooms	40.6%	43.5%	25.3%	25.8%	29.0%	24.5%
4+-bedrooms	31.4%	24.0%	19.5%	16.2%	19.8%	14.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Household survey



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## **Indicative Targets for Different Sizes of Properties by Tenure**

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**8.42** The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs, the survey data and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

### **Social/Affordable Rented Housing**

**8.43** Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be younger single people).

**8.44** As noted, the conclusions also consider the Housing Register, which did show a high proportion of households as needing larger homes when compared with the national position (and the data modelling). The conclusions also take account of the current profile of housing in this sector (although for Birmingham the stock profile looks to be fairly average in a regional and national context).

**8.45** In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate – particularly in the short-term to reflect the profile of the Council's Housing Register:

- 1-bedroom: 20%
- 2-bedroom: 35%
- 3-bedroom: 25%
- 4+-bedroom: 20%

### **Affordable Home Ownership**

**8.46** In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. Based on this analysis,

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**8.47** it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20%
- 2-bedroom: 40%
- 3-bedroom: 30%
- 4+-bedroom: 10%

**8.48** By comparison, delivery of Shared Ownership homes over the last two years have been skewed towards 2-bedrooms (68%) which is probably the most likely form of demand for Shared Ownership homes. Also 13% of delivery has been 1-bedroom and 20% 3-bedrooms.

**8.49** The recent delivery is also likely to reflect where delivery has occurred, i.e. in the Central Broad Area, The Council may therefore seek a greater contribution of larger and smaller shared ownership homes (in line with that above) if these are in sub-areas other than the Central area.

**8.50** We would see that shared ownership is a product for those with more marginal affordability than First Homes. As such it is possible that they may have slightly different size profile. However, as it is a new tenure we do not at this stage know the profile of what First Home households are likely to be (i.e. do they have families).

**8.51** The profile of households entering First Homes should be monitored but we are reasonably content that, given restrictions to the product and the likely type of delivery (i.e. younger people in homes rather than flats) that the suggested mix above would be suitable for either product.

### **Market Housing**

**8.52** Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). This sees a slightly larger recommended profile compared with other tenure groups:

- 1-bedroom: 5%
- 2-bedroom: 35%
- 3-bedroom: 40%
- 4+-bedroom: 20%

**8.53** The table below draws this analysis together into a recommended mix for each of the three broad tenure groups.

**Table 8.22 - Suggested Mix by Broad Tenure**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	35%	40%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	20%	35%	25%	20%

Source: Icen Projects based on Modelling

- 8.54** Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the study area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 8.55** The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.
- 8.56** The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character are also however relevant considerations the appropriate mix of market housing on individual development sites.
- 8.57** In applying these rates to a real world example the Council may use the mix suggested in the table below as a starting point for negotiations. However, they should also include a consideration of the caveats set out below and the eventual affordable housing policy when that is adopted.

**Table 8.23 Suggested Starting Point for Housing Mix Negotiations**

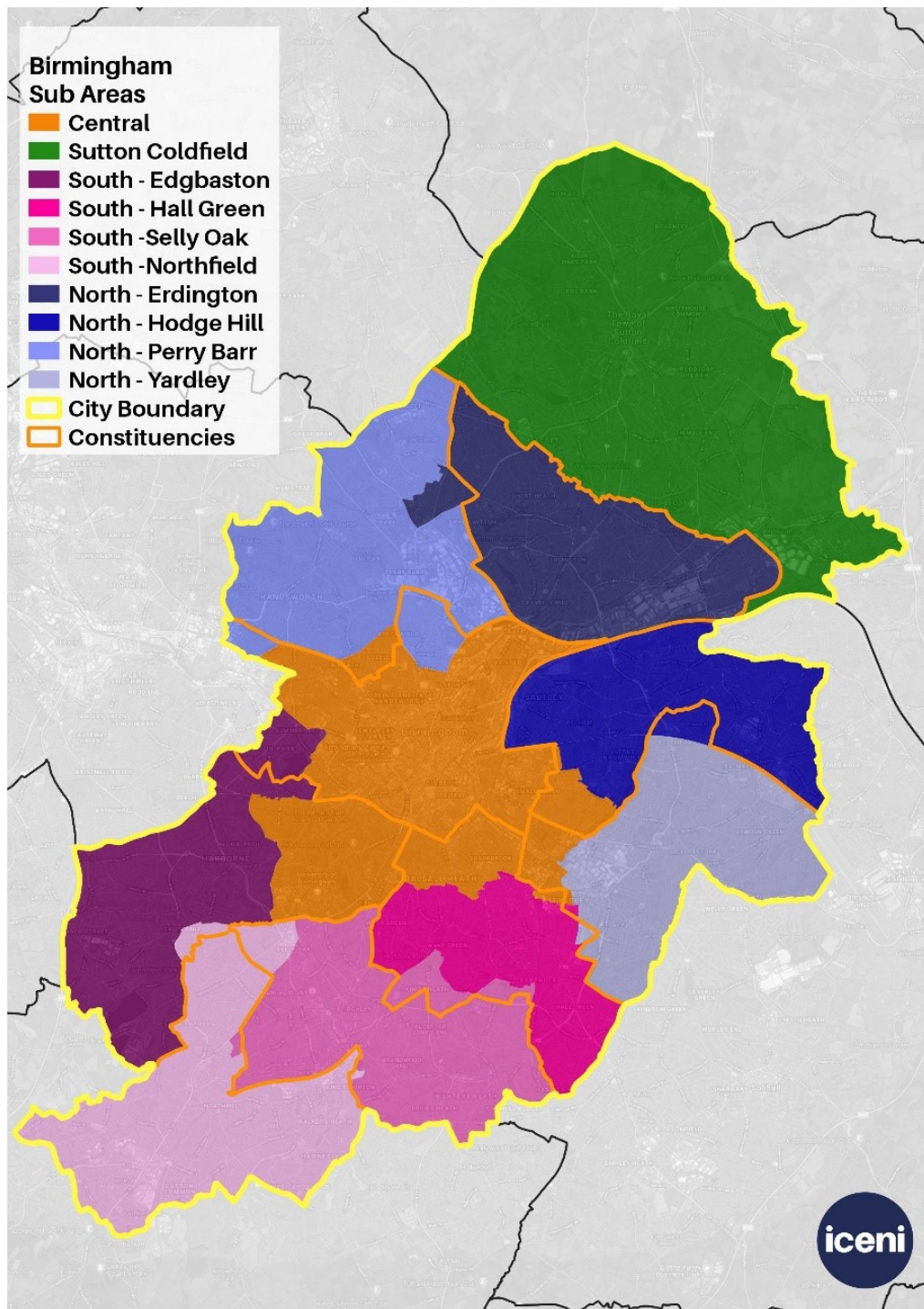
	1 Bed	2 Beds	3 Beds	4+ Beds
Market (65%)	3%	23%	26%	13%
AHO (10%)	2%	4%	3%	1%
Affordable Rent (25%)	5%	9%	6%	5%
Total (100%)	10%	36%	35%	19%

Source: Icen Projects

### Smaller-area Housing Mix

- 8.58** The analysis above has focussed on overall city-wide needs; given differences between locations it is however worth considering the potential mix at a smaller-area level. These sub-areas are defined in Appendix 1 and illustrated below.

## Sub and Broad Areas in Birmingham



Source: IcenI Projects based on ONS and OS data

**8.59** The table below shows the profile of housing by tenure for the sub-areas. The analysis shows a few features, including the high proportion of 4+ bedroom market homes in Sutton Coldfield and a smaller stock in the Central area. There are also variations shown in the profile of the social rented and private rented sectors with Central showing some of the smallest dwelling sizes across all tenures.

**Table 8.24 Number of Bedrooms by Tenure, 2011 – sub-areas (1)**

		Central	Edg- baston	Erding- ton	Hall Green	Hodge Hill	Birming- ham
Owner- occupied	1-bedroom	7%	3%	3%	4%	2%	3%
	2-bedrooms	25%	20%	19%	14%	20%	19%
	3-bedrooms	45%	55%	66%	52%	66%	58%
	4+-bedrooms	22%	21%	12%	30%	13%	20%
	Total	100%	100%	100%	100%	100%	100%
Social rented	1-bedroom	33%	36%	27%	46%	26%	31%
	2-bedrooms	36%	34%	31%	24%	34%	32%
	3-bedrooms	24%	26%	37%	23%	36%	31%
	4+-bedrooms	6%	4%	5%	6%	4%	5%
	Total	100%	100%	100%	100%	100%	100%
Private rented	1-bedroom	32%	28%	20%	28%	12%	22%
	2-bedrooms	38%	31%	31%	26%	28%	32%
	3-bedrooms	22%	29%	40%	36%	53%	35%
	4+-bedrooms	8%	12%	8%	10%	7%	11%
	Total	100%	100%	100%	100%	100%	100%

Source: 2011 Census

**Table 8.25 Number of Bedrooms by Tenure, 2011 – sub-areas (2)**

		North- field	Perry Barr	Selly Oak	Sutton Coldfield	Yardley	Birming- ham
Owner- occupied	1-bedroom	3%	1%	2%	3%	2%	3%
	2-bedrooms	21%	17%	21%	16%	19%	19%
	3-bedrooms	63%	64%	59%	46%	67%	58%
	4+-bedrooms	13%	17%	17%	36%	12%	20%
	Total	100%	100%	100%	100%	100%	100%
Social rented	1-bedroom	28%	33%	29%	41%	30%	31%
	2-bedrooms	31%	31%	33%	31%	29%	32%
	3-bedrooms	37%	28%	34%	24%	36%	31%
	4+-bedrooms	4%	8%	4%	3%	4%	5%
	Total	100%	100%	100%	100%	100%	100%
Private rented	1-bedroom	17%	15%	13%	21%	20%	22%
	2-bedrooms	32%	27%	26%	44%	30%	32%
	3-bedrooms	43%	45%	35%	26%	44%	35%
	4+-bedrooms	8%	13%	27%	9%	7%	11%
	Total	100%	100%	100%	100%	100%	100%

Source: 2011 Census

**8.60** A modelling exercise has then been carried out using the same methodology as for city-wide data (but with some additional assumptions due to data availability) with the tables below showing the estimated mix of housing by tenure in each location.

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## Market Housing

- 8.61** Focussing on the market sector, and consistent with the analysis of current profiles, the analysis typically shows a need for larger homes in Sutton Coldfield and Hall Green and a mix which includes more smaller homes in other locations (particularly the Central area). However, it is not considered sufficiently clear-cut to suggest a different mix of housing at a sub-area level within policy. If developments were provided in-line with the suggested mix in this report (City-wide), then over time there would be some degree of balancing the stock across areas, whilst still recognising the general role and function of different locations. That said, any specific developments could take account of the analysis below.

**Table 8.26** Modelled size requirement by sub-area – market housing

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Central	12%	35%	35%	18%
Edgbaston	7%	33%	42%	18%
Erdington	7%	32%	47%	14%
Hall Green	8%	28%	42%	22%
Hodge Hill	6%	32%	47%	15%
Northfield	7%	33%	46%	14%
Perry Barr	5%	30%	47%	17%
Selly Oak	6%	34%	44%	16%
Sutton Coldfield	6%	30%	40%	24%
Yardley	6%	32%	48%	14%
TOTAL	7%	32%	43%	18%

Source: Housing Market Model

## Affordable Home Ownership

- 8.62** The table below shows estimates of mix for affordable home ownership. There are again differences between locations, although all areas show a particular focus on the need for 2- and 3-bedroom homes in this sector. Again, it is not clear-cut that the data points to the need for a mix of housing which is substantially different locally than would be suggested by the city-wide analysis. Selly Oak does stand out as potentially needing a mix including a slightly higher proportion of larger homes – however, this is likely to be influenced by the student population and a high proportion of larger shared houses.

**Table 8.27 Modelled size requirement by sub-area – affordable home ownership**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Central	24%	42%	23%	10%
Edgbaston	23%	38%	27%	12%
Erdington	20%	39%	33%	9%
Hall Green	23%	35%	31%	11%
Hodge Hill	15%	38%	39%	8%
Northfield	18%	39%	34%	9%
Perry Barr	17%	36%	35%	12%
Selly Oak	16%	35%	29%	20%
Sutton Coldfield	20%	44%	27%	9%
Yardley	19%	38%	35%	9%
TOTAL	19%	40%	30%	11%

Source: Housing Market Model

### Social/Affordable Rented

- 8.63** In the social/affordable rented sector, the differences between areas are arguably fairly slight, and does not point to any different or specific mix as being needed in different locations. It should be noted that the analysis above for sub-areas does not take account of any information from the Housing Register. It is possible at any point in time that the register will be able to provide additional data about a suitable mix of rented housing and this should be considered at the relevant time for any specific applications.

**Table 8.28 Modelled size requirement by sub-area – social/affordable rented**

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Central	29%	40%	24%	8%
Edgbaston	33%	37%	25%	6%
Erdington	29%	35%	30%	7%
Hall Green	37%	30%	25%	8%
Hodge Hill	27%	37%	30%	6%
Northfield	30%	35%	29%	6%
Perry Barr	30%	34%	26%	10%
Selly Oak	30%	37%	27%	5%
Sutton Coldfield	39%	33%	24%	5%
Yardley	30%	34%	30%	6%
Total	30%	36%	28%	6%

Source: Housing Market Model

### Central Broad Area

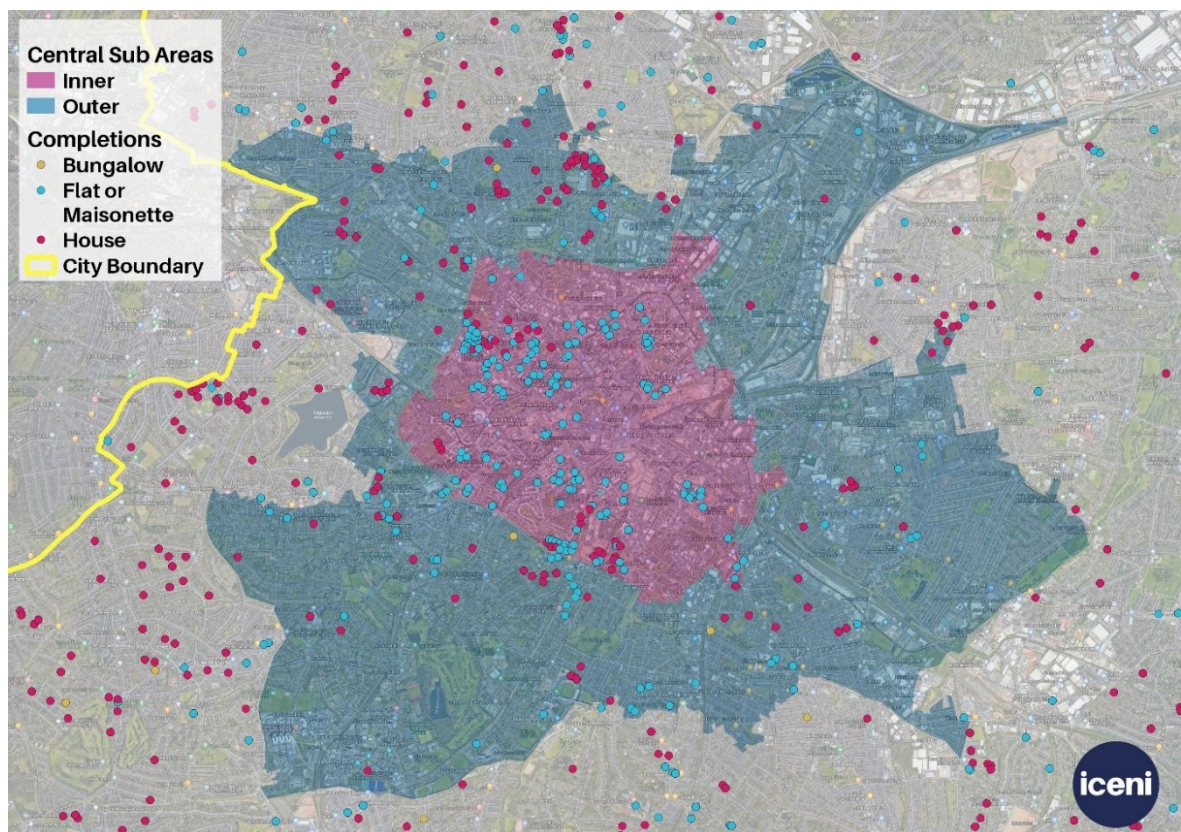
- 8.64** Within the Central Broad Area there are two distinct markets, those parts inside and those parts outside of the Inner Ring Road. This section of the report examines these in more detail with a view to making a recommendation on the most appropriate mix of housing in each.

**8.65** The map below shows the disaggregation of the Central Broad Area by best fit of Output Areas inside and outside the inner ring road. It also illustrates completions since 2011 drawing in Energy Performance Certificates issued to new dwellings.

**8.66** In 2011 there were around 63,200 dwellings in the Central Broad Area. The majority of these (72%) were located in the outer Central Sub-Area with 28% in the inner sub area. Since that time there have been approximately 10,250 completions in the Central Broad Area.

**8.67** The majority of these were located in the Inner Sub-Area (76%). As illustrated the vast majority of delivery in the Inner Sub-Area were flats (95%). Reflecting the slightly lower densities in the outer sub-area only 68% of delivery have been flats.

#### Central Sub Area Completions Since 2011



Source: Energy Performance Certificates

**8.68** The new housing in the inner sub-area is therefore likely to skew the housing stock even more towards flatted development as in 2011 around 90% of the stock were flats. However, it is likely to be more pronounced in the outer sub-area as only around 33% of the stock in 2011 were flats. In both cases the percentage of flats is much greater than the City-wide figure.



**Table 8.29 Type of Housing In Central Sub-Areas (2011)**

	Detached	Semi-Detached	Terraced	Flat
Inner	1.2%	3.5%	5.7%	90.2%
Outer	9.9%	16.1%	41.4%	32.9%
Central	7.4%	12.5%	31.3%	49.2%
City	11.0%	34.8%	29.5%	25.0%

Source: ONS, Census 2011

- 8.69** The comparatively high percentage of flats in the Central Broad Area translates into a comparatively high percentage of smaller homes. Around 56% of the stock have 2 bedrooms or less, this compares to 38% in the wider city.

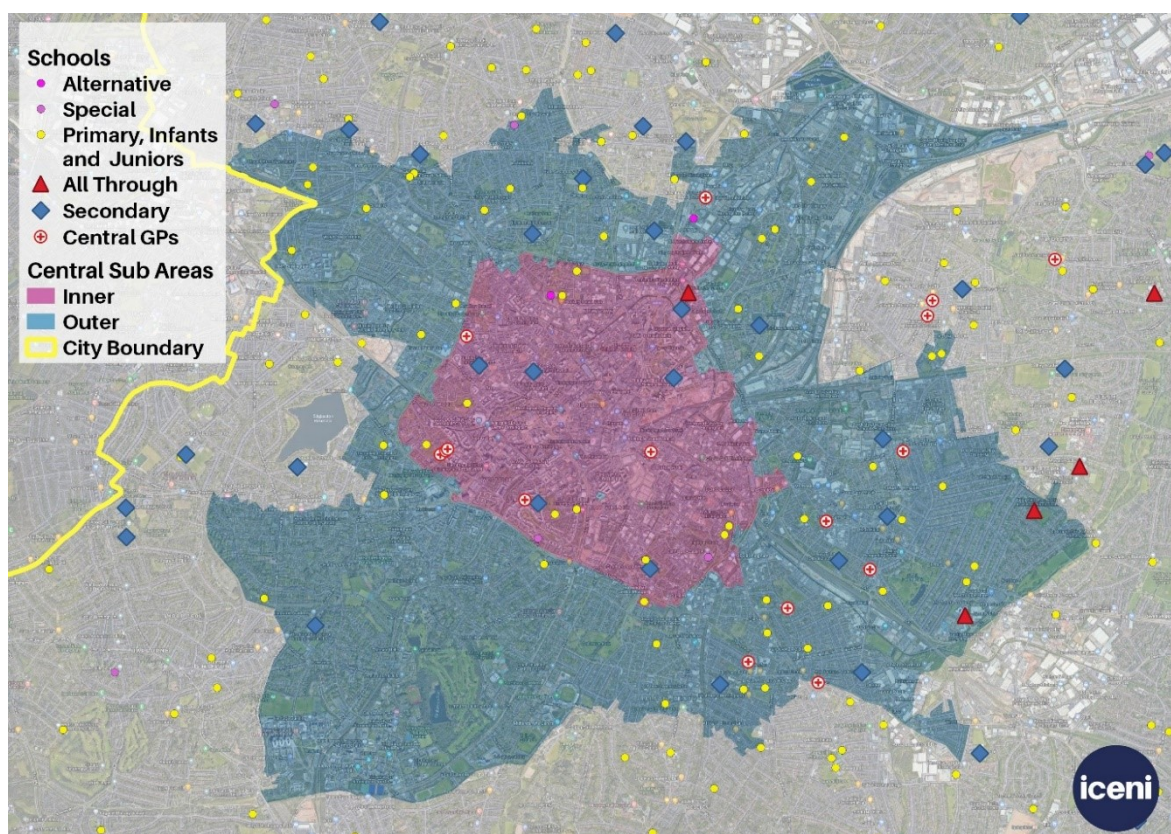
**Table 8.30 Number of Bedrooms In Central Sub-Areas (2011)**

	No Bedrooms	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	5+ Bedrooms
Inner	0.6%	42.0%	42.2%	11.4%	2.6%	1.2%
Outer	0.4%	16.4%	29.6%	38.1%	10.5%	5.0%
Central	0.4%	23.5%	33.0%	30.7%	8.3%	3.9%
City	0.3%	13.5%	24.9%	47.0%	10.2%	4.1%

Source: ONS, Census 2011

- 8.70** Even with the Central Area we can see that around 85% of homes in the inner area have less than 2-bedrooms while this figure is lower in the outer area (47%), but it still exceeds the rest of the city. As a consequence, there are likely to be fewer families within either area.
- 8.71** This is perhaps self-fulfilling as there are fewer schools in the area. As the map below illustrates this is particularly the case in the Inner Central Sub-Area. Unlike the outer central sub-area there is a reasonable balance between primary and secondary education. However, this is unlikely to reflect the age of the population but rather the access the City Centre offers.

**Table 8.31 Schools Within Central Birmingham (2022)**



Source: Birmingham City Council

**8.72** That said, within the Inner Sub-area in 2011 around a quarter of the population were aged under 16. While this is lower than the outer sub-area it is still greater than the rest of the city. This could indicate that the area has attracted some families despite the stock not being entirely suitable nor having the school facilities to support it.

**Table 8.32 Age Profile of Central Sub Area Residents (2011)**

	Under 16	16-45	45-65	65+
Inner	24.6%	49.1%	32.5%	7.2%
Outer	35.6%	36.6%	33.8%	11.1%
Central	33.2%	39.4%	33.5%	10.2%
City	22.8%	43.6%	20.7%	12.9%

Source: ONS, Census

**8.73** It is highly possible that these families have been attracted to the area, or more accurately placed in the area due to the tenure of the housing stock and the relatively high number of social and private rental properties.

**8.74** As shown in the table below both the inner (32%) and outer (36%) central sub-areas have a notably higher percentage of social rental homes than the rest of the city (24%). Both areas, but particularly

the inner sub-area have a relatively high percentage of PRS homes. This is also likely to have increased in the interim period as a result of a lack of access to the purchase market.

**Table 8.33 Household Tenure – Central Sub Area (2011)**

	Owned	Shared	Social Rent	Private Rent	Living rent free
Inner	18.0%	1.6%	32.5%	46.0%	1.8%
Outer	39.6%	0.7%	36.1%	20.9%	2.7%
Central	33.6%	1.0%	35.1%	27.8%	2.5%
City	55.2%	1.0%	24.2%	17.9%	1.7%

Source: ONS, Census 2011

- 8.75** We are therefore getting a picture of the Inner area being a location for those privately renting which tend to be younger employed residents. In turn these households have started to have children while in their existing homes which are not always suitable for families, nor are the surrounding social infrastructure.
- 8.76** The outer central sub-area has even more people aged under 16 but has the social infrastructure to respond to this. We would therefore likely see greater demand for larger homes in this area as families grow. This can also accommodate the growth in families within the inner area.
- 8.77** The inner area, due to its lack of social infrastructure can then be used to accommodate smaller homes for singles and couples. This also responds to the type of sites that are likely to come forward in the respective areas i.e. higher density more centrally.
- 8.78** This also aligns with the recommendation set out elsewhere in this report that co-living accommodation and student accommodation can be located as centrally as possible as this will, among other things support the night time economy.

### **Sub-area conclusions**

- 8.79** Overall, the analysis does not suggest that a substantially different mix should be proposed for smaller areas although Sutton Coldfield and the Central area do show some slightly different outputs compared with other locations (particularly when it comes to looking at market housing). There may however be a case on a site-by-site basis, or at a specific point in time for some minor adjustments to the overall conclusions. This is summarised below:
- a) Whilst there are differences in the stock profile in different locations this should not necessarily be seen as indicating particular surpluses or shortfalls of particular types and sizes of homes;
  - b) As well as looking at the stock, an understanding of the role and function of areas is important. For example, higher priced areas are typically sought by wealthier families and therefore such areas would be expected to provide a greater proportion of larger homes;

- c) That said, some of these areas will have very few small/cheaper stock and so consideration needs to be given to diversifying the stock;
- d) The location/quality of sites will also have an impact on the mix of housing. For example, brownfield sites in the City Centre (particularly the inner sub-area) may be more suited to flatted development (as well as recognising the point above about role and function) whereas a more suburban site may be more appropriate for family housing. Other considerations (such as proximity to public transport) may impact on a reasonable mix at a local level;

**8.80** Overall, it is suggested that Council should broadly seek the same mix of housing in all locations but would be flexible to a different mix where specific local characteristics suggest. The Council should also monitor what is being built to ensure that a reasonable mix is provided. Additionally, in the affordable sector it may be the case that Housing Register data for a smaller area identifies a shortage of housing of a particular size/type which could lead to the mix of housing being altered from the overall suggested requirement.

**8.81** Notwithstanding the above caveats, as well as further development of affordable housing policy, the Council can use the table below as a starting point for housing mix negotiations on sites in each sub area.

**Table 8.34 Housing Mix Starting Point by Sub-Area based on Modelled Outputs Only**

Tenure Bedrooms	Market (65%)				AHO (10%)				Affordable Rent (25%)				Total			
	1	2	3	4+	1	2	3	4+	1	2	3	4+	1	2	3	4+
Central	8%	23%	23%	12%	2%	4%	2%	1%	7%	10%	6%	2%	17%	37%	31%	15%
Edgbaston	5%	21%	27%	12%	2%	4%	3%	1%	8%	9%	6%	2%	15%	35%	36%	14%
Erdington	5%	21%	31%	9%	2%	4%	3%	1%	7%	9%	8%	2%	14%	33%	41%	12%
Hall Green	5%	18%	27%	14%	2%	4%	3%	1%	9%	8%	6%	2%	17%	29%	37%	17%
Hodge Hill	4%	21%	31%	10%	2%	4%	4%	1%	7%	9%	8%	2%	12%	34%	42%	12%
Northfield	5%	21%	30%	9%	2%	4%	3%	1%	8%	9%	7%	2%	14%	34%	41%	12%
Perry Barr	3%	20%	31%	11%	2%	4%	4%	1%	8%	9%	7%	3%	12%	32%	41%	15%
Selly Oak	4%	22%	29%	10%	2%	4%	3%	2%	8%	9%	7%	1%	13%	35%	38%	14%
Sutton Coldfield	4%	20%	26%	16%	2%	4%	3%	1%	10%	8%	6%	1%	16%	32%	35%	18%
Yardley	4%	21%	31%	9%	2%	4%	4%	1%	8%	9%	8%	2%	13%	33%	42%	12%

Source: Icen Projects

### Built-form

**8.82** A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses.

## Bungalows

- 8.83** The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the City as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.
- 8.84** The table below shows a low proportion of bungalows in Birmingham (less than 3% of flats and houses) with over three-quarters of these having 1- or 2-bedrooms; a higher proportion (9%) of homes across England are bungalows.

**Table 8.35 Number of dwellings by property type and number of bedrooms (March 2020) - Birmingham**

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	4,650	4,370	2,520	390	30	11,970
Flat/Maisonette	59,790	46,760	9,480	3,420	1,200	120,640
Terraced house	670	37,840	107,560	9,160	430	155,660
Semi-detached house	200	15,810	92,020	11,730	320	120,070
Detached house	30	860	15,390	17,890	300	34,460
All flats/houses	65,340	105,640	226,970	42,590	2,280	442,800
Annexe	-	-	-	-	-	70
Other	-	-	-	-	-	40
Unknown	-	-	-	-	-	5,670
All properties	-	-	-	-	-	448,570

Source: Valuation Office Agency

- 8.85** In general, discussions with local estate agents find that there is a demand for bungalows and from the household survey it was found that 13% of those who would like to move, would like to move to a bungalow – this figure is clearly significantly above the current proportion of bungalows in the stock (<3%). Of those aged 65-74 who want to move, some 47% would like a bungalow; this goes up to 51% when looking at the 75+ age group.
- 8.86** The survey data does suggest that bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).
- 8.87** However, as a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.

- 8.88** There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove immensely popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.89** Overall, the Council could consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive.
- 8.90** Bungalows are likely to see a particular need and demand in the market and affordable rented sectors (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

#### **Flats vs. Houses**

- 8.91** Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 81% of all 1-bedroom homes are flats, 35% of 2-bedroom homes and just 4% of homes with 3-bedrooms.
- 8.92** The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in both Birmingham and England. This shows a similar proportion of flats in Birmingham (41% of all 2-bedroom homes), and this would point to there being a need for a balance between flats and houses. The analysis does also show a higher proportion of flats in the social and private rented sectors (just over half of 2-bedroom homes in both of these sectors are flats).

**Table 8.36 Proportion of 2-bedroom Flats (by tenure)**

	Birmingham	England
Owner-occupied	25%	21%
Social rented	51%	48%
Private rented	53%	50%
All (2-bedroom)	41%	35%

*Source: 2011 Census*

- 8.93** From the household survey it is clear that households would prefer houses to flats; of all household stating that they would like to move to a 2-bedroom property, some 22% would like a flat or maisonette. This figure is notably lower than the proportion of flats in the current stock.

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**8.94** Overall, this analysis would suggest that 2-bedroom homes should contain a mix of flats and houses. However, any decisions will still have to take account of site characteristics, which in some cases might point towards a particular type of development as being most appropriate (e.g. flats on City Centre sites). The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing, although it is still the case that a mix of the two is likely to be required.

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### *Housing Mix: Key Messages*

*The proportion of households with dependent children in Birmingham is higher than to the regional and national average with around 34% of all households containing dependent children in 2011. The Hodge Hill area sees a very high proportion of households with dependent children, including lone parent households.*

*There are a range of factors which will influence demand for different sizes of homes, including demographic changes (linked to the demographic scenario); future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to long-term demographic change using the demographic scenario (2020-40) and taking account of household survey data and information from the Housing Register concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population – the analysis also models for there to be a modest decrease in levels of under-occupancy (which are particularly high in the market sector):*

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	35%	40%	20%
Affordable home ownership	20%	40%	30%	10%
Affordable housing (rented)	20%	35%	25%	20%

*The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bed properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure.*

*The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.*

*Analysis also suggests a mix between houses and flats (although survey data did highlight a preference for houses), although consideration will need to be given to site specific circumstances (which may in some cases lend themselves to flatted development). Additionally, the Council should*



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*consider the role of bungalows within the mix – whilst the stock of bungalows in the city is limited, the household survey highlighted a potential demand for this type of accommodation – such housing can be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into the market.*

*Based on the evidence, it is expected that the focus of new market housing provision will be on 2- and 3-bed properties (but recognising that the City already has a large stock of 3-bedroom market homes). Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retaining flexibility for friends and family to come and stay.*

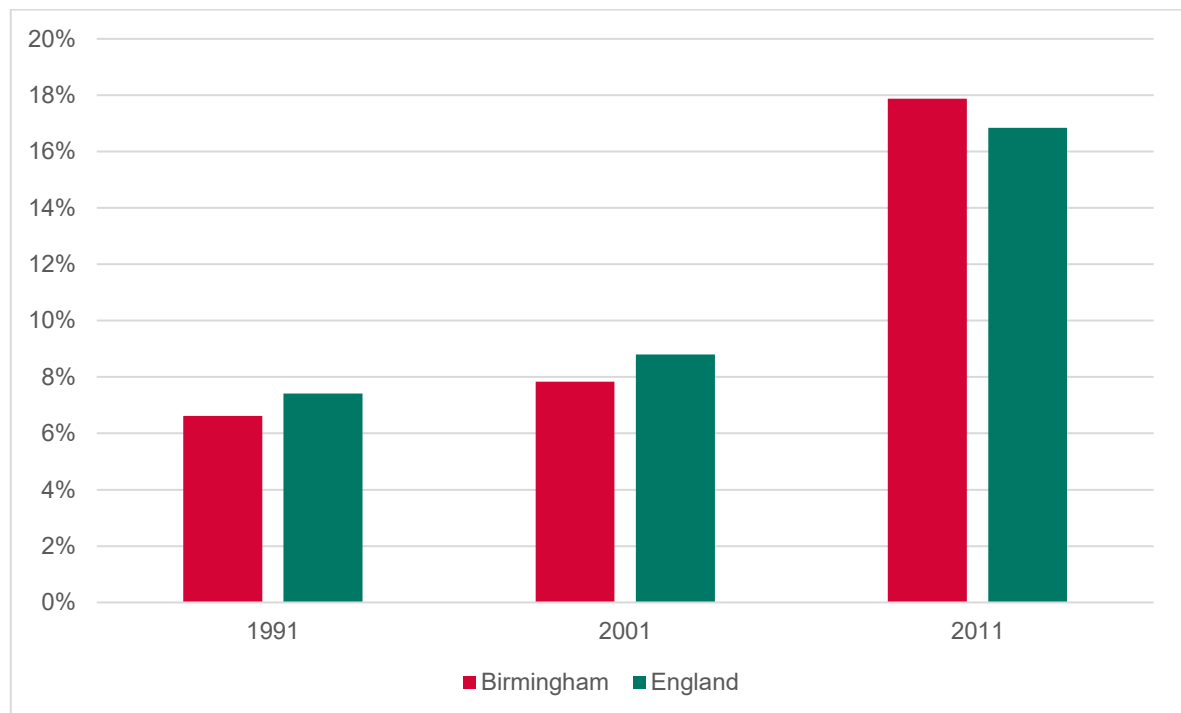
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## 9. THE PRIVATE RENTED SECTOR

**9.1** The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the private rented sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.

**9.2** In Birmingham City, the growth in the private rented sector has been strong over the last three decades outperforming the national trend between 2001-11. The Figure below shows how the private rented sector has grown over the last three Census points.

**Table 9.1 Growth in the Private Rented Sector, 1991-2011**

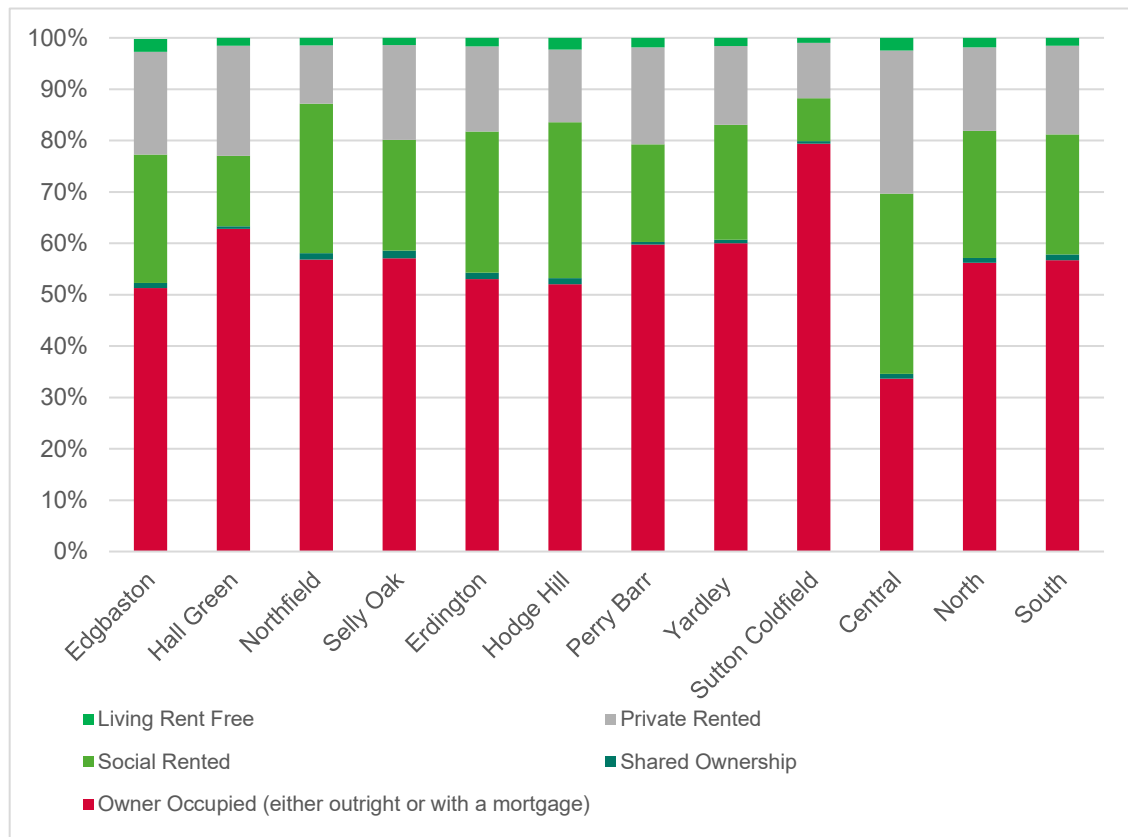


Source: Census

**9.3** The analysis shows that the private renting grew significantly as a sector to account for 18% of all households in 2011. However, as set out upfront, we know that the private rented sector has now grown to become the second largest tenure nationally since 2011.

**9.4** Drilling into the tenure profile at a sub-area level, the Figure below shows that the central sub-area in the City Centre has a notably higher proportion of households in the PRS with 28% of all households renting privately and only 32% as homeowners. There's also a high proportion of private renters in the southern sub-areas of Edgbaston, Hall Green and Selly Oak around the University of Birmingham.

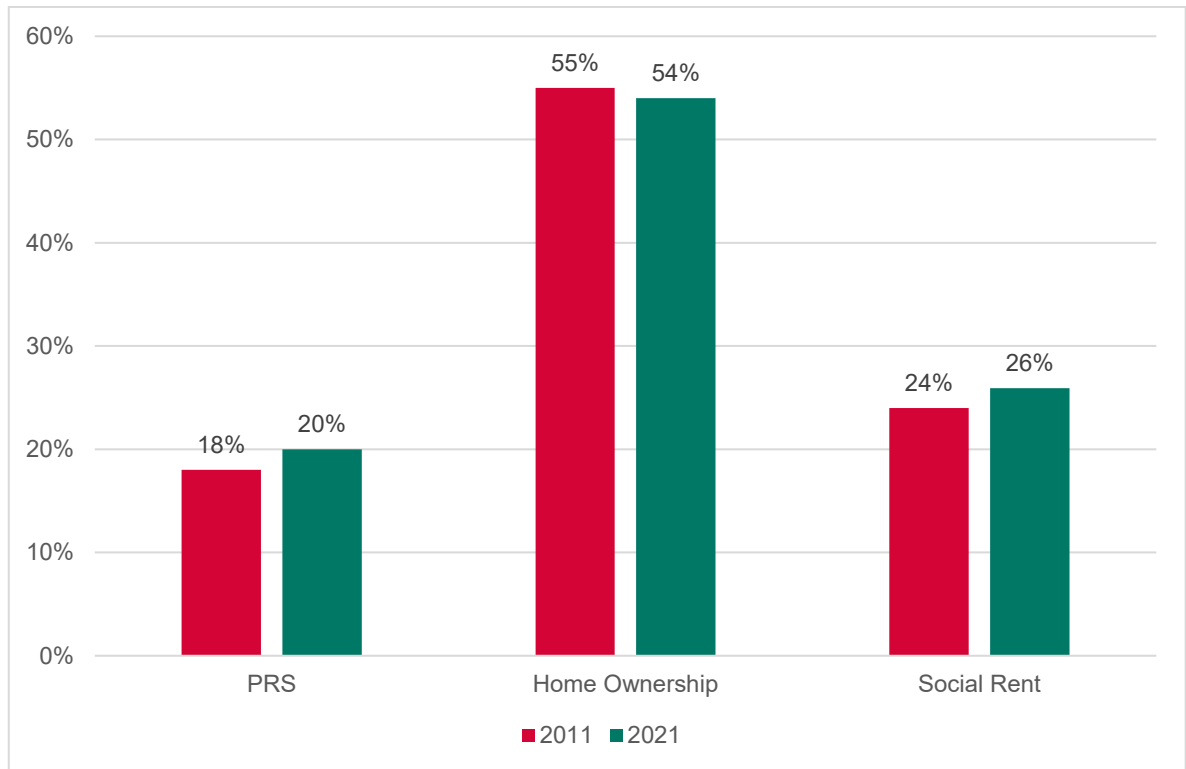
**Table 9.2 Households in the PRS by Sub-Area, 2011**



Source: ONS, Census 2011, (the last four entries are broad areas the others are sub areas)

**9.5** The Household Survey data provides us with an up-to-date estimated tenure profile for the City 10 years on from the point of the last Census. The results are shown in the Figure below for all tenures with a comparison exercise made with the 2011 Census. The survey estimates that the sector has grown to 82,853 households living in the PRS in 2021. In percentage terms, the Figure shows that the PRS has grown by 2 percentage points to account for a fifth of all households; although it has remained as the third largest tenure in the City with the Central sub-area at around 23% of all households.

**Table 9.3 Estimated Tenure Profile in 2021<sup>2</sup>**



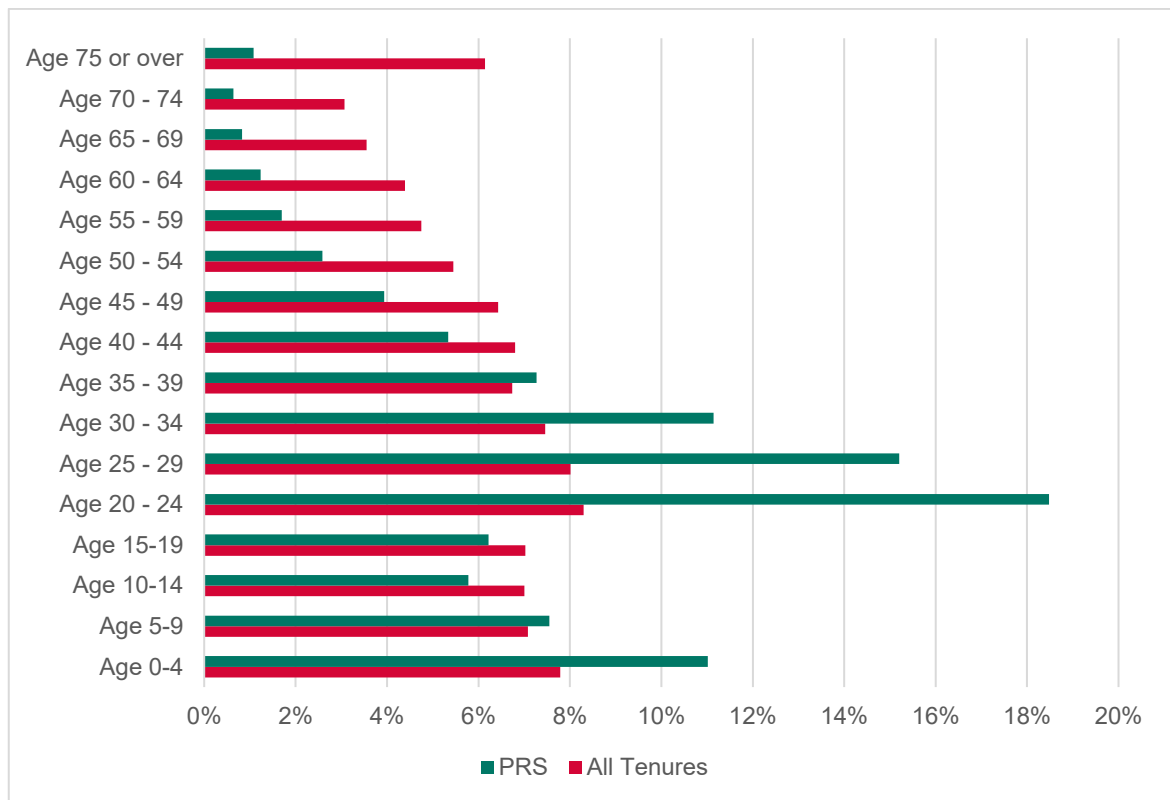
Source: Census and Household Survey

### **Profile of the Private Renters**

**9.6** In order to understand the private rented sector across in the City better, we have first sought to consider the demographic profile of the residents living in the sector. In considering the age profile of private rented sector residents; a clear picture can be drawn from the Figure below.

<sup>2</sup> Note that tenures will not round to 100% due to other tenures excluded (i.e. shared ownership)

**Table 9.1 Age Profile of Private Rented Sector in Birmingham**



Source: Census 2011

- 9.7** The analysis shows that the private rented sector in the City has a population structure heavily focussed on those in their 20s and 30s as well as a high proportion of young children. Over half (52%) of all residents renting in the private sector are aged between 20-39 with around a quarter (24%) of residents aged between 0-14 suggesting a high number of young professionals as well as young families.
- 9.8** Overall, this is somewhat unsurprising in considering that this age range aligns with those who fall under ‘Generation Rent’, but the sector does also include older people albeit there are notably few. Notably, the demographic projections developed in this HEDNA show that around a quarter (24% or 29,250 persons) of population growth over the plan period to 2040 will be in the 20-34 age group.
- 9.9** Turning to household composition, the Table below analyses how those living in the private rented sector typically occupy homes set against all tenures in the City as well as wider comparators. In absolute terms, there was 73,400 households in the PRS in 2011.

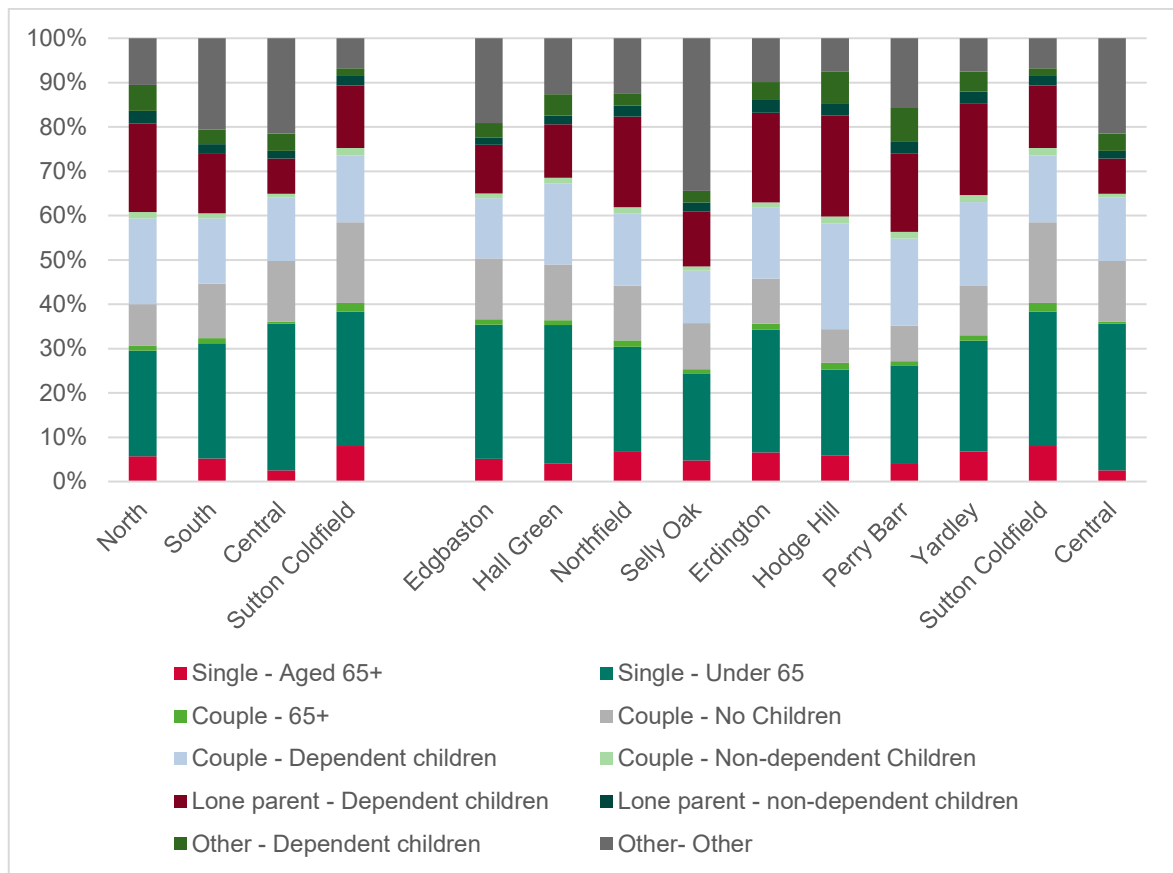
**Table 9.2 Household Composition of Private Renters in Birmingham**

Composition	Birmingham All Tenures	Birmingham PRS	West Midlands PRS	England PRS
One Person Aged 65 and over	12%	3%	4%	4%
One Person Aged under 65	20%	28%	27%	27%
Couple Aged 65 and over	5%	1%	1%	1%
Couple No Children	12%	12%	16%	17%
Couple Dependent Children	19%	17%	18%	17%
Couple Non-Dep. Children	6%	1%	2%	2%
Lone Parent Dep. Children	10%	15%	14%	12%
Lone Parent Non-Dep Children	5%	2%	2%	2%
Full-Time Students	1%	6%	3%	3%
Other Households	10%	16%	12%	14%

Source: Census 2011

- 9.10** The analysis shows that in the private rented sector, the largest household group is single person households aged under 65; with this group accounting for 28% of all households. There is also a high proportion of couples with children and lone parents with children. There are relatively few households comprising couples without children in the PRS. It is also notable that there is a high proportion of 'other' households which includes unrelated adults sharing.
- 9.11** Drilling into the household composition of private renters at a sub-area level, it is clear that is a particularly high proportion of younger single households in the Central sub-area as well as the southern sub-areas of Edgbaston and Hall Green in close proximity to the University. There is also a high proportion of 'other households' without dependent children (including students) in these areas, as well as Selly Oak which has a number of Halls of Residence.
- 9.12** In contrast, there is a significant proportion of couples and lone parents with dependent children in the north sub-areas of Hodge Hill and Yardley with 47% and 40% of all households falling under these groups respectively. Sutton Coldfield has a high proportion of older and younger single households as well as couples without children living in the PRS.

**Table 9.3 Household Composition of Private Renters by Sub-Area**



Source: ONS, Census 2011, (the first four entries are broad areas the remainder are sub-area)

**9.13** In respect of where residents (household reference persons or “HRP”) living in the private rented sector work, the Table below sets out the industries of employment of HRPs in the PRS as well as all tenures for comparison purposes. This shows that there are no significant disparities in terms of tenures in the City aside from the fact there are more HRPs working in the hospitality and distribution sectors living in PRS.

**9.14** Set against the regional average, there is a higher proportion of professional HRPs as well as those working in ‘key worker’ roles in the education and health sectors living in the PRS in the City.

**Table 9.4 Industry of Employment of Private Renters in Birmingham**

Industry	Birmingham All Tenures	Birmingham PRS	West Midlands PRS	England PRS
Agriculture, energy and water	1%	1%	3%	3%
Manufacturing	11%	8%	12%	8%
Construction	7%	5%	7%	7%
Distribution, hotels and restaurants	19%	23%	24%	23%
Transport and communication	10%	9%	10%	10%
Financial, Prof and Admin	16%	18%	14%	19%
Public admin, education & health	30%	29%	25%	24%
Other	4%	6%	6%	6%
All industries	100%	100%	100%	100%

Source: Census 2011

- 9.15** Turning to the occupation of all HRP's living in the PRS, the Table below is clear in showing that there is a high proportion of high skilled, professional households in the sector in the City with 41% of HRP's in the top three major occupation groups. This compares with only 37% in the West Midlands. Just under a third (30%) of HRP's are in low skilled roles in the Birmingham PRS.

**Table 9.5 Occupation of Private Renters in Birmingham**

Occupation	Birmingham All Tenures	Birmingham PRS	West Midlands PRS	England PRS
Managers and Directors	10%	8%	10%	11%
Professional	19%	21%	16%	18%
Associate Professional	11%	12%	11%	14%
Admin and Secretarial	10%	9%	8%	8%
Skilled Trades	12%	10%	13%	12%
Caring and Leisure	9%	10%	9%	8%
Sales and Custom Service	6%	8%	8%	7%
Process, Plant and Machine	11%	8%	10%	8%
Elementary	12%	14%	14%	12%

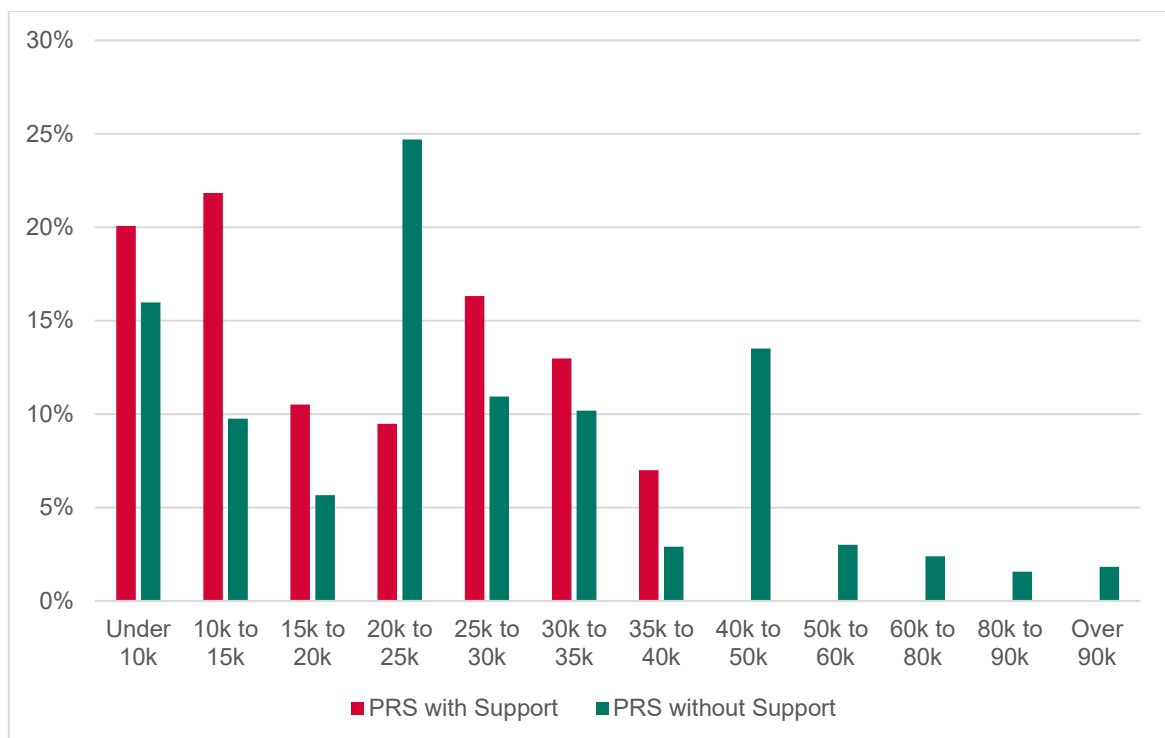
Source: Census 2011

- 9.16** With this in mind, we have also considered the earnings profile of households in the PRS in Birmingham City, drawing on data from the Household Survey. This allows us to estimate the earnings of households in the PRS with and without the support of housing support. Notably, this measurement is different to the earnings data used in our affordable housing needs analysis as the Household Survey incorporates income and tax but excludes benefits – whereas our affordable needs analysis draws on all sources.



**9.17** Based on our analysis of the Household Survey, the median income of private renters is £22,656 per annum when all households are accounted for including those claiming housing support. This rises to £24,260 when households claiming housing support are excluded. The distribution of income has been set out in the Figure below which shows that over half (52%) of PRS households with support have incomes of less than £20,000 with a household ceiling of £40,000 per annum. In contrast, around 46% of households in the PRS without support earn £25,000 or over with around 9% earning over £50,000 per annum.

**Table 9.6 Median Household Income Analysis, 2021 (% Proportion of Group)**



Source: Household Survey

**9.18** Turning to the mix of stock in the private rented sector, we have considered the profile of household by bedroom size. This analysis is set out in the Table below. As is clear, the stock profile is generally focussed on two and three bedroom properties in line with the wider comparators but with a relatively high proportion of family sized (3 or more bedrooms) accommodation. There is a comparatively smaller proportion of smaller properties in the PRS compared with the region and England.

**9.19** However, It should be noted that housing delivery in the past 5 years in Birmingham has been dominated by 1 and 2 bedroom city centre flats, many of which will be privately rented. Therefore the table below is now likely to be skewed slightly towards smaller homes.

**Table 9.7 - Bedroom Mix – Private Rented Sector**

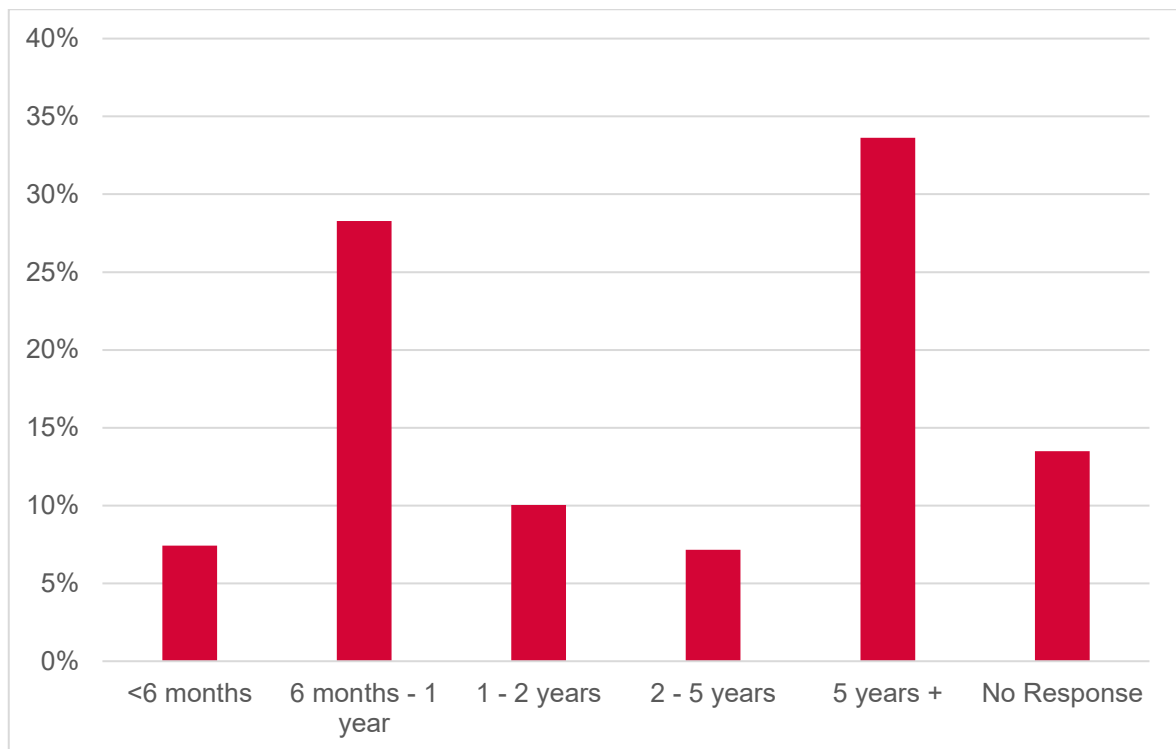
	Birmingham	West Midlands	England
1 Bedroom	22%	18%	23%
2 Bedrooms	32%	37%	39%
3 Bedrooms	35%	36%	28%
4+ Bedrooms	11%	10%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Census 2011

### Private Sector Tenancies

**9.20** IcenI has drawn on data from the Household Survey to analyse the length of tenancies of those renting in the private sector. This is relevant as new housing products such as Build to Rent and co-living development place particular importance of secure tenures. As is clear from the Figure below, around a third (34%) of tenants have lived in their current home for five years or more. Over a third (36%) have lived in their current home for less than a year.

**Table 9.8 Length of PRS Tenancies, 2021**



Source: IcenI analysis of Household Survey Data

### The Rental Market

**9.21** Turning to the private rental market, we have sought to analyse current private rents and recent rental trends set against wider comparators. The Table below sets out median rents by property size compared with the region and England.

**Table 9.9 - Median Rents by Property Size, 2021 (£ PCM)**

	Room	Studio	1 Bed	2 Beds	3 Beds	4+ Beds
Birmingham	450	550	665	737	775	1,100
West Midlands	400	450	550	650	750	1,100
England	412	575	650	700	800	1,350

Source: ONS Private Rental Market Statistics, 2021

**9.22** Generally, median rents for rooms in the City are markedly above the regional and national average whereas median rents for larger family-sized properties are in line with the regional average but notably below the national average. The median rents for 1 bed and 2 bedroom properties are well above with the wider region but broadly in line with the national average.

**9.23** Looking at rental growth across all sizes, the analysis in the Table below shows that rents for smaller units including rooms, studios and 1 bedroom properties experienced strong comparative rental growth between 2016-2021 ranging from 16% to 23%. This points towards a supply-demand imbalance for smaller properties.

**Table 9.10 Median Rental Increase by Size, 2016/17 and 2020/21**

	Room	Studio	1 bed	2 beds	3 beds	4+ bed
Birmingham	22%	23%	16%	9%	8%	-8%
West Midlands	11%	14%	16%	13%	11%	13%
England	9%	5%	9%	8%	7%	4%

Source: VOA Private Rental Data

#### Affordability Dynamics of the PRS and Local Housing Allowance

**9.24** Affordable rents as well as securing the initial rental deposit constitute a key barrier to accessing housing for some households, particularly as private rents have grown faster than household incomes and above housing benefit allowances. The relative unaffordability of larger, family sized, homes for rent can often result in distortions and inefficiency in the market limiting the development of larger properties despite evident local needs.

**9.25** The Local Housing Allowance (“LHA”) sets the amount of housing benefit or Universal Credit housing element that households in the private rented sector can claim. It is intended to reflect the lowest 30<sup>th</sup> percentile of local private rents to allow welfare claimants access to the market. On 1<sup>st</sup> April 2020, LHA rates were increased – following a five year freeze – to ensure that the rates covered the 30<sup>th</sup> percent of market rents in each area.

**9.26** The latest allowances by bedroom size are set out in the Table below for the BRMA which applies in the City – the Birmingham BRMA. The rates for 1 bedroom properties up to 4 bedroom properties are shown.

**Table 9.11 Monthly LHA Rate<sup>3</sup> by Broad Rental Market Area by Size**

BRMA	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Birmingham BRMA	£525	£625	£675	£850

Source: VOA, 2021

- 9.27** If we then set these LHA rates against private rental values and focus on the lower quartile rents (i.e. the lowest 25% or “entry-level rents”), it is clear that LHA has fallen below market rents in Birmingham City for all property sizes despite the LHA rate being increased on 1<sup>st</sup> April 2020. The Table below shows the difference between the LHA cap and entry-level rents.

**Table 9.12 Difference between LHA Rate and LQ Rent**

		1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Birmingham	LQ Rent	£575	£650	£700	£900
	Birmingham BRMA	£525	£625	£675	£850
	Difference	-£50	-£25	-£25	-£50

Source: VOA and ONS, 2021

- 9.28** As the analysis above shows, there are differences between LHA rates and entry-level rents ranging from 9% for 1 bedroom properties to around 4-6% for family-sized properties which points to particular challenges for both single households and family households who are trying to access the sector on lower incomes.
- 9.29** The changing nature of welfare benefits payments, particularly housing benefits and the introduction and shift to Universal Credit have direct implications for lower earning and economically inactive households.
- 9.30** The operation of the welfare benefit cap has been in place now for a number of years, restricting the total amount of benefit - including housing benefits - which in turn serves to restrict housing choice and opportunity for those family households affected. This has served to form a potential barrier to accessing family-sized housing.
- 9.31** The maximum amount of welfare and housing benefit is capped currently at £384.62 per week or £1,666.67 per month outside of London for families with children and couples. The benefit cap applies as soon as the household income from benefits would otherwise exceed it.
- 9.32** The welfare cap does not apply to housing benefits if sufficient hours are worked to qualify for working tax credit. For a lone parent this is 16 hours worked per week; for families this is 24 hours per week

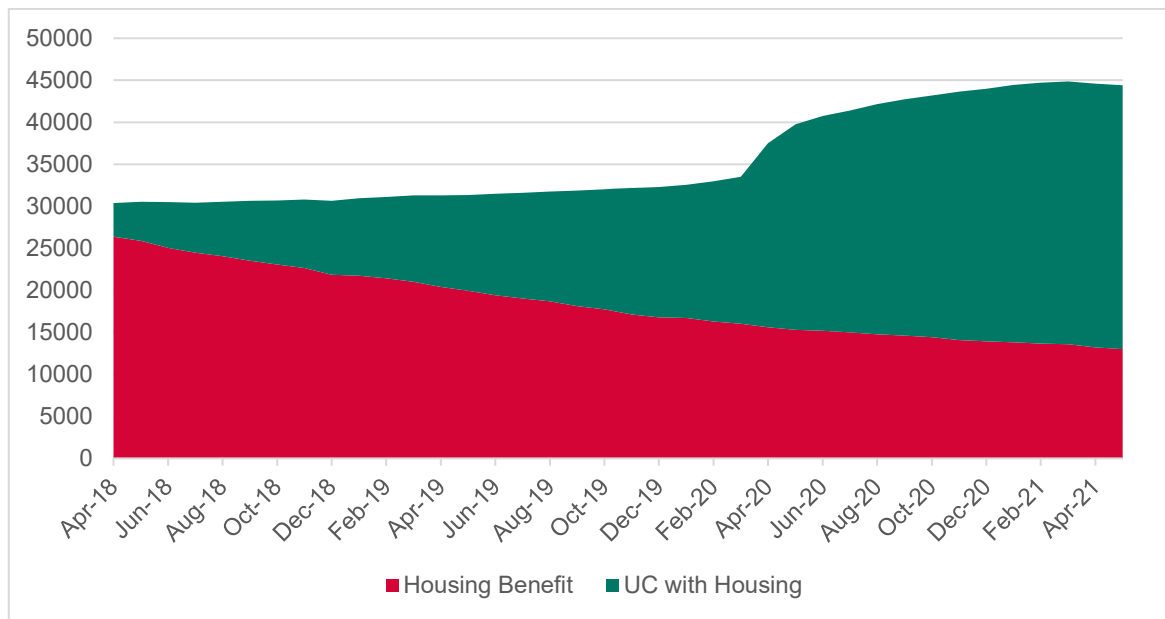
<sup>3</sup> LEA Rate correct in October 2021

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(with one person working at least 16 hours). There are exemptions for those with disabilities or carer attendance responsibilities.

- 9.33** In addition to restrictions arising from welfare caps, those households that are Universal Credit claimants are limited after 6<sup>th</sup> April 2017 in terms of claiming additional amounts for a third or subsequent child which inevitably restricts larger family household incomes for those claiming Universal Credit.
- 9.34** A further difficulty has been widely reported in terms of individuals and family households switching from benefit payments into the Universal Credit system with widely reported delays and significant gaps between the last benefit payment and the first payment by Universal Credit.
- 9.35** This has, in some instances been compounded by Universal Credit payments (including money to cover housing costs) being paid directly to the individual/household rather to the local authority or landlord. It is also common in the study area for authorities to use Discretionary Housing Payments to bridge the gap between rents and LHA rates. There are also, anecdotally, significant instances where such individuals/households have been unable to budget appropriately leading to a failure to pay housing rental charges when they are due.
- 9.36** It is possible to drill into the number of private rented sector households supported by Universal Credit with a housing element – and we have also looked at this analysis over a long period as part of our assessment of affordable housing need. In May 2021, a total of 138,862 residents in Birmingham claimed housing benefit or Universal Credit with a housing element. Out of these claimants, around 44,500 lived in private rented accommodation (equal to 32% of all claimants).
- 9.37** The Figure below shows how the number of households in the City in private rented accommodation which claim housing benefits or Universal Credit with a housing element has changed over time. Combined, the total number of claimants increased from 30,550 in May 2018 to 44,400 in May 2020. As is clear, there was a notable increase following the introduction of lockdown measures in March 2020 in relation to the Covid-19 pandemic.

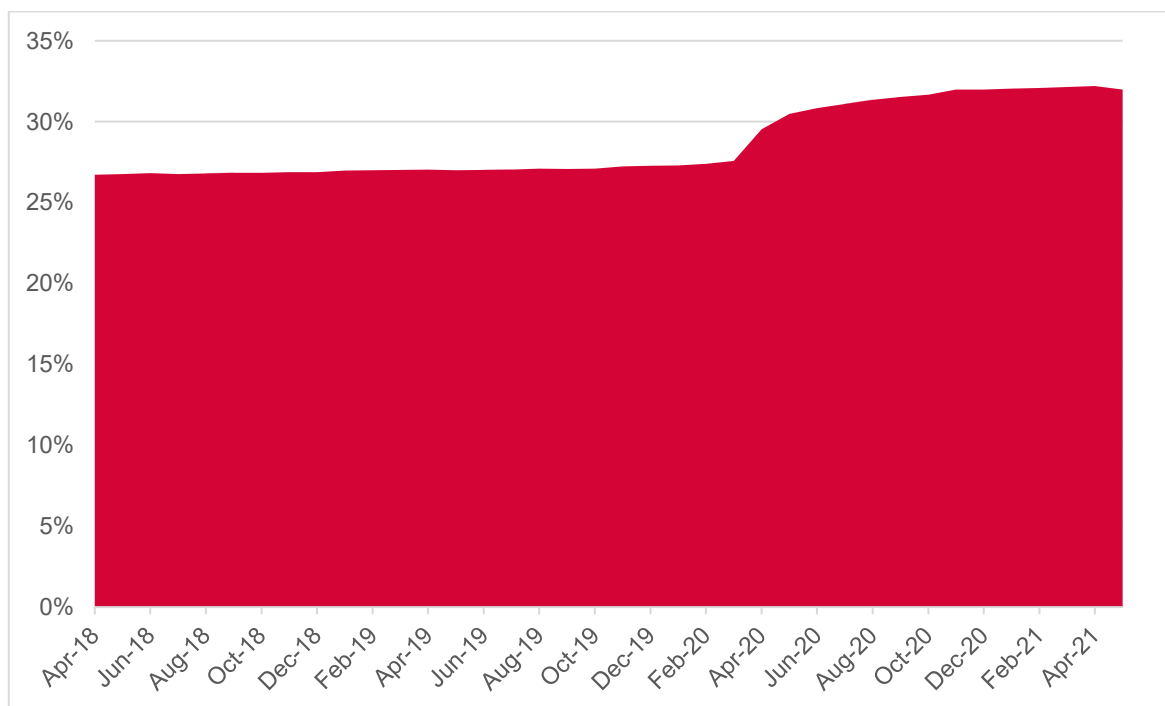
**Table 9.13 Households in Private Rented Sector Supported by Housing Benefits or UC**



Source: DWP

**9.38** Over the same period, the proportion of claimants living in the private rented sector has increased from 27% to 32% which is clear from the Figure below. The Household Survey found that of the 82,853 PRS households estimated in 2021, 43% were renting with support. The sector has therefore played a key role in meeting the needs of households who require financial support in meeting their housing need.

**Table 9.14 Proportion of Households Claiming Housing Benefit in PRS**



Source: DWP

**9.39** Looking more broadly at households without housing benefit support living in the private rented sector, as is clear from our analysis of affordable housing needs, we have found that a significant proportion (43% of all PRS households) are likely to have an income that would allow them to buy a home.

**9.40** As a result, for many living in the PRS, barriers to becoming homeowners are less likely to relate to income and/or the cost of housing and more about other factors such as saving for a deposit or difficulties obtaining a mortgage. However, as we have concluded elsewhere, some households will choose to rent privately as this can be a more flexible option.

### Housing in Multiple Occupation

**9.41** There are around 6,300 identified HMOs in the City with the greatest number of these located within the Selly Oak sub area which is home to 41% of HMOs in the City, followed by Edgbaston 13%. In both cases this is linked to the student market.

**9.42** However, it has been reported that as students move to purpose built student accommodation in greater numbers, the HMOs are being occupied by non-students and in some cases, those requiring supported accommodation. Anecdotally, the proliferation of HMOs can also be problematic for community cohesion.

#### HMOs by Sub and Broad Area (2020)

Broad/Sub-Area	HMOs	% of HMOs
<b>Central</b>	<b>828</b>	13.2%
<b>North</b>	<b>1,349</b>	21.4%
Erdington	506	8.0%
Hodge Hill	188	3.0%
Perry Barr	405	6.4%
Yardley	250	4.0%
<b>South</b>	<b>4,036</b>	64.1%
Edgbaston	846	13.4%
Hall Green	173	2.7%
Northfield	426	6.8%
Selly Oak	2,591	41.2%
<b>Sutton Coldfield</b>	<b>80</b>	1.3%
<b>Total</b>	<b>6,293</b>	100.0%

Source: BCC, 2020

**9.43** Typically HMO properties are converted larger homes as a result family housing is being used for typically single people and couples. This can also be problematic as the City has a relatively high level of families and this is expected to grow.

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**9.44** The Council have already introduced a city-Wide Article 4 Directive (which prohibits permitted development, in this case from housing (C3) to HMOs(C4)) which seeks to limit the growth in HMOs in the City. They have also introduced Policy DM11 within the Development Management in Birmingham document which seeks to avoid over-concentration of HMOs by setting criteria to be met before they are allowed. These criteria include:

- a) Would not result in this type of accommodation forming over 10% of the number of residential properties within a 100 metre radius of the application site.
- b) Would not result in a C3 family dwellinghouse being sandwiched between two HMOs or other non-family residential uses.
- c) Would not lead to a continuous frontage of three or more HMOs or non-family residential uses.
- d) It would not result in the loss of an existing use that makes an important contribution to other Council objectives, strategies and policies.
- e) Would not give rise to unacceptable adverse cumulative impacts on amenity, character, appearance, highway safety and parking.
- f) Provide high quality accommodation with adequate living space including:
  - Bedrooms of at least 7.5 sq. m. (single) and 11.5 sq. m. (double).
  - Communal living space comprising lounge, kitchen and dining space either as distinct rooms or in an open plan format.
  - Washing facilities.
  - Outdoor amenity space.
  - Recycling/ refuse storage.

**9.45** This would not reduce the demand for such smaller rental homes, and these would need to be accommodated elsewhere. This could be in locations which do not have so many HMOs at present or support larger forms of PRS accommodation such as built to rent developments or Co-living. These are explored below.

#### **PRS: Build to Rent Development**

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**9.46** In the context of the sector's growth over the last 20 years and a national housing shortage, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage "Build to Rent" development.

**9.47** The Housing White Paper (February 2017) was clear in 2017 that the Government wanted to build on earlier initiatives to attract new investment into large-scale scale housing which is purpose-built for market rent i.e. Build to Rent. At that time, the Government set out that this would drive up overall housing supply, increase choice and standards for people living in privately rented homes and provide more stable rented accommodation for families – particularly as access to ownership has become more challenging.



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**9.48** This was realised through the publication of the revised Framework (February 2019) which recognises the emergence of the strength of the private rented sector. The Framework (paragraph 61) says the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies including **those people who rent their homes** (as separate from those in affordable housing need). The Framework's glossary also introduces a definition for Build to Rent development, thus recognising it as a sector:

*“Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses but should be on the same site and/or contiguous with the main development”.*

**9.49** Build to Rent schemes will usually offer longer tenancy agreements of three years or more and will typically be professionally managed stock in single ownership or management control. It represents development which is constructed with the intention that it will be let, rather than sold.

**9.50** The benefits of Build to Rent are strong and are best summarised in the Government's A Build to Rent Guide for Local Authorities which was published in March 2015. The Guide notes the benefits are which ranging but can include:

- Helping local authorities to meet demand for private rented housing whilst increasing tenants' choice “as generally speaking tenants only have the option to rent from a small-scale landlord”.
- Retaining tenants for longer and maximising occupancy levels as Build to Rent investment is an income focused business model;
- Helping to increase housing supply, particularly on large, multiple phased sites as it can be built alongside build for sale and affordable housing; and
- Utilising good design and high-quality construction methods which are often key components of the Build to Rent model.

**9.51** This Build to Rent Guide provides a helpful overview of the role that Build to Rent is intended to play in the housing market, offering opportunities for those who wish to rent privately (i.e. young professionals) and for those on lower incomes who are unable to afford their own home.

**9.52** Over recent years there has been a rapid growth in the Build to Rent sector backed by domestic and overseas institutional investment. Turning to the present and the latest market insight on Build to Rent as it begins to mature and strengthen as a development sector, the Savills UK Build to Rent

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Market Update<sup>4</sup> for Q3 2021 states that the market now had 50,800 completed units, 37,700 under construction and 84,000 in the development pipeline, a total of 172,500 units.

**9.53** The report notes that around 88% of the operational stock was located in City Centre flats but there had been a slight shift towards “housing led, family targeted” Build to Rent schemes in suburban locations. This was on the belief that there is a wider PRS market for houses (63%) than for flats.

**9.54** The Savills work also noted that the sector had bounced back from a Pandemic related slowdown. They also noted new entrants into the sector seeking longer term investment.

### **The Typical Profile of Tenants**

**9.55** The British Property Federation (“BPF”), London First and UK Apartment Association (“UKAA”) recently published (February 2021) a report<sup>5</sup> profiling those who live in Build to Rent accommodation in London - which makes up the bulk of the market. The proportion of Build to Rent in London accounts for 47% of current provision falling to 44% once the pipeline supply is included. This demonstrates a slight movement out of London which goes against the historic trend.

**9.56** Around 62% of residents were aged between 25 and 34 compared with 47% in the wider private rented sector market. The remaining residents included 17% aged between 16 and 24 and 13% aged 35-44 both of which were below the corresponding values for the wider private rented sector market.

**9.57** The survey based data identified that incomes are similar to those in private rented sector accommodation with 43% earning less than £32,000 and 29% earning between £32,000 and £47,000. For comparison purposes, the Birmingham Household Survey found that median earnings of PRS households were £21,329. Typically, Build to Rent residents spend between 29% and 35% of their income on accommodation. This compares to 29% to 32% in the wider private rented sector demonstrating a willingness to pay slightly more.

**9.58** The report noted that Build to Rent has comparable levels of affordability but is notably more affordable for couples and sharers. This is perhaps reflected in the higher incidence of these household types within the Build to Rent sector.

**9.59** The report also identified a broadly similar balance of people working in the public and private sectors with 90.5% of residents employed in the private sector living in Build to Rent accommodation

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<sup>4</sup> [https://www.savills.co.uk/research\\_articles/229130/306754-0](https://www.savills.co.uk/research_articles/229130/306754-0)

<sup>5</sup> [https://buildtorent.files.wordpress.com/2021/01/who-lives-in-build-to-rent-1.pdf?mc\\_cid=624df5d223&mc\\_eid=e05cc2220b](https://buildtorent.files.wordpress.com/2021/01/who-lives-in-build-to-rent-1.pdf?mc_cid=624df5d223&mc_eid=e05cc2220b)

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compared with 80% in the private rented sector. The most common industries included Finance and Insurance (25%), Other Services (20%) and IT and Communications (including marketing) (15%).

### **The Current Build to Rent Position in Birmingham City**

**9.60** The City currently has no planning policy in place to deal with planning applications which are submitted for Build to Rent development; although this in part reflects the recent emergence of the sector and changes to national planning policies concerning the status and importance of Build to Rent as part of the private rental market.

**9.61** However, this has not hindered Build to Rent development coming forward in the City nor a significant amount of investment and funding being directed towards the sector. A range of schemes of varying scale have come forward through the planning process in the City over the last 2-3 years to accumulate a committed pipeline of around 5,000 units through such schemes as:

- The *New Monaco* scheme located on Bristol Street in the City Centre on the site of the former Monaco House office block which will comprise 1,009 x 1, 2 and 3 bedroom flats and townhouses across 11 blocks and two towers.
- The *New Garden Square* scheme in Edgbaston on the Calthorpe Estate which will comprise 392 x 1, 2 and 3 bedroom apartments.
- The *Markers' Yard* scheme in the Southside area of the City Centre which will comprise 551 x 1, 2 and 3 bedroom apartments across six blocks including a 30-storey tower; and
- The *Hockley Mills* scheme in the Jewellery Quarter in the City Centre which will comprise 395 x 1, 2 and 3 bedroom apartments.

**9.62** The PPG on Build to Rent recognises that where a need is identified that local planning authorities should include a specific plan policy relating to the promotion and accommodation of Build to Rent. On the basis of our analysis, the private rented sector clearly plays a significant role in the City and there is already an established Build to Rent market with a range of schemes of substantial scale.

### **The Policy Response**

**9.63** It is evident that the private rented sector is growing and there is a particular age profile and household group that it caters for in the City which is akin to the target demographic of Build to Rent development. On this basis, Iceni consider there will be an ongoing need and a role for Build to Rent provision to continue to support these household groups for years to come moving forward. As a result, a specific policy should be developed by the Council.

**9.64** The PPG on Build to Rent also states that authorities should specify the circumstances and locations where Build to Rent schemes would be encouraged. It identifies town centre regeneration areas and

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parts of large sites as examples. As set out above, there has already been a number of Build to Rent schemes which have come forward – principally in the Central sub-area – and there’s an established private rental market in the southern sub-areas of Edgbaston, Hall Green and Selly Oak around the University of Birmingham. The Council should therefore encourage schemes to continue to come forward in these locations where the PRS has a particularly key role in meeting housing needs.

- 9.65** In considering the dwelling mix proposed in relation to a Build-to-Rent scheme; we would expect the focus to be on 1, 2 and some 3-bed properties given the occupancy profile associated with private rented accommodation in the authority area. As set out above, the Build to Rent schemes coming forward in the City have also focussed on this mix of housing.
- 9.66** The Framework’s definition of Build-to-Rent development sets out that schemes will usually offer tenancy agreements of three or more years and will typically be professionally managed stock in single ownership and management control. It would be appropriate for the Council to adopt a consistent definition, as this is one of the defining characteristics of Build to Rent as a product.
- 9.67** The Council will need to consider affordable housing policies specifically for the Build-to-Rent sector. The viability of Build to Rent development will however differ from that of a typical mixed tenure development: returns from the Build to Rent development are phased over time whereas for a typical mixed tenure scheme, capital receipts are generated as the units are completed. There is potential for a proportion of build-to-rent units to be delivered as ‘affordable private rent’ housing. Planning Practice Guidance<sup>6</sup> states that:

“The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

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<sup>6</sup> ID: 60-002-20180913

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National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development”

- 9.68** The Council should have regard to the specific Planning Practice Guidance on Build-to-Rent development; with the starting point therefore that 20% affordable private rented homes at a discount of 20% to local market rents should be included within a development scheme. The Council should test the feasibility of this through viability analysis, but in order to help stimulate the market; Iceni does not consider that a higher proportion of affordable housing or higher discount should necessarily be applied based on our analysis of affordable housing needs.

### **PRS: Co-Living Development**

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- 9.69** The concept of co-living in its modern form of housing is relatively new, and whilst it is not specifically defined in the Framework, it is often used as part of a wider definition relating to a type of intentional community where residents share living space and a set of interests, values and/or intentions.
- 9.70** Traditionally co-living has ranged from the coming together of space, time and resources for activities - for example, meals and discussion in the common living areas - through to shared workspace and collective endeavours such as living more sustainably.
- 9.71** Over recent years, media interest in co-living has in part been driven by the pressures faced by the millennial generation and the potential to provide communal living driven by affordability and a transient, social oriented young professional resident in high cost locations. Traditionally the idea of co-living through sharing of rented housing is not a new idea and has long operated across the country. In this context, co-living can encompass many structural forms.
- 9.72** In its current form, modern co-living in the UK tends to be urban focused and integrated into a single building, house, or apartment, a sharing of amenities, and a demographic trend towards 20 to 30 something professionals. As a market segment, this is most well developed currently in London where companies such as The Collective, Roam, Fizzy Living and Lyvly are actively adopting a ‘WeWork’ style model to housing based on a new renting approach for the Capital that offers private bedrooms, shared common spaces and community events, and an all-inclusive rent.
- 9.73** The focus of existing co-living examples tends to be large city schemes with studies indicating that whilst the sharing of space is deemed more acceptable - especially by city dwellers - the model of co-living needs to carefully consider the scale of provision balanced alongside personal space needs and privacy.

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**9.74** There are a number of benefits of Co-Living with the main benefit being that it is a safe and reliable form of housing in a time of huge housing shortage. More widely, Cleaver and Frearson<sup>7</sup> have recently highlighted six specific categories of the advantages of Co-Living as follows:

1. Affordability;
2. Health and happiness;
3. Choice and flexibility;
4. Safety and security;
5. Diversity; and
6. Sustainability

**9.75** In terms of affordability, the provision of shared space offers cost savings. This is mirrored by research conducted by CBRE<sup>8</sup> which found that “co-living is a cost-effective city centre housing solution, that achieves impressive densities.

**9.76** As previously mentioned, one of the demand drivers of an increase in co-living is due to the affordability, because of the decline in affordability of homeownership, this has shifted demand for private rental housing. Co-living also provides more choice and flexibility as well as shared live/workspace which in turn creates diversity.

**9.77** With the pandemic-driven shift towards professionals working from home, the availability of dedicated space to work is an important attractor. However it has been reported<sup>9</sup> that some operators have felt the impact on their business model as “Government restrictions have forced operators to suspend some perks, limit mixing and stop all but essential travel” and in some cases outside visitors were banned during lockdowns. As a result the demand for such homes has slowed.

### **Cost of Co-living**

**9.78** As there are currently no co-living schemes in Birmingham it is difficult to grasp the cost of this accommodation in the City. It also needs to be considered that the cost of co-living is not directly comparable to rental accommodation as it includes the cost of utilities as well as access to shared facilities (e.g. gyms, cinema rooms etc.) the extent and quality of which will differ from development to development. Some developers even reduce costs for those that sign up to longer tenancies.

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<sup>7</sup> All Together Now: The Co-living and Co-working Revolution (Cleaver, Naomi and Frearson, Amy), 2021

<sup>8</sup> <https://www.cbre.co.uk/services/business-lines/valuation-and-advisory/valued-insights/articles/introduction-to-Co-Living>

<sup>9</sup> <https://www.bloomberg.com/news/articles/2021-06-16/the-collective-said-to-explore-sale-as-pandemic-curbs-co-living>

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- 9.79** There are established co-living markets in the UK in London and Manchester. In London Co-living Studio flats can range from £1050 per month in Hounslow to two-bedrooms at £1,650 per month in Camden<sup>10</sup>.
- 9.80** While in Manchester some co-living studio apartments are being marketed<sup>11</sup> from £215 per week which equates to £930 per month. However in this development the cost includes access to co-working space as well as co-living.
- 9.81** This compares to the equivalent median price in the wider PRS market in Hounslow of £800 for a studio and £1,950 per month for a two bedroom home in Camden. In Manchester, the average Studio flat is £575 per month.
- 9.82** Although still at the planning application stage a supporting document produced by CBRE for the development of a Co-living development at Curzon Wharf in Birmingham suggests an average price of just over £800 per month. This compares to an average price of around £900 for a studio flat plus bills in the City Centre<sup>12</sup>
- 9.83** Once bills are added to rental costs it is reasonable to say that cost of co-living is comparable to renting although less so in Manchester. This would make broad sense as a burgeoning sector would struggle to get a foothold in the market if it was considerably more expensive than traditional stock.
- 9.84** It is also the case that as some of the space is taken up by shared services/facilities the developer/owners are able to make more money per square foot than they do from traditional rental accommodation as each tenant is charged for the communal facilities. They can also benefit from added sales in the facilities they provide e.g. if they have a coffee shop.

### **The Typical Profile of Tenants**

- 9.85** The growth in the market for co-living developments is linked to the wider growth in the private rented sector as considered upfront in this section - and the rise of house sharing within this - and has seen particular interest from the younger population. One key macroeconomic factor is due to the affordability constraints of home ownership, which has resulted in a growing number of people renting homes and for a longer level of time (e.g. whilst households save for a deposit).

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<sup>10</sup> <https://www.gravitycoliving.com/blog/cost-living-london/>

<sup>11</sup> <https://www.oppidan-life.com/location>

<sup>12</sup> ONS calculate the median price for a studio to be £550 per month across the whole city.

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- 9.86** Co-living has evolved because of the way of people live. There's a change in "patterns of work, rising loneliness, ageing...making us think differently about the sorts of homes we want, and co-living is one potential solution", according to CBRE<sup>13</sup>. Young professionals in particular are being pushed towards private rented accommodation due to rising house prices and newer generations prefer a more flexible approach to living<sup>14</sup>. For this group the offer of a flexible, short-term leases and an opportunity to live in a part of community (with all bills covered), is particularly appealing.
- 9.87** Overall, therefore, the current co-living business model and characteristics principally draw on a large base of transient younger, high skilled professional households and individuals - particularly those without dependents. If we consider the profile of private renters in Birmingham City set out upfront in this section, these are characteristics which are akin to the City and the central and southern sub-areas in particular.
- 9.88** There is a high proportion of single individuals aged between 20-39 with a relatively high proportion in higher skilled roles living in the PRS in Birmingham. There is also a high proportion of 'other' households in the PRS which includes unrelated adults sharing which all points towards an underlying market for a co-living product. Clearly, not all individuals which have these characteristics will choose a co-living product; however, there is unarguably a large base relative to the target demographic.

### **The Current Co-Living Position in Birmingham City**

- 9.89** The City Council has no specific policy on co-living development owing to the fact that co-living is a relatively new housing model with few schemes outside of London; however, the Council has published a *Co-Living Position Statement* which recognises that co-living is an emerging housing sector and one which is ahead of local planning policy.
- 9.90** The Statement is clear that until an objective assessment of need is undertaken, the Council is unable to support the principle of co-living. As a result, the Council does not have any pipeline supply for such housing developments and a number of planning applications have been amended or withdrawn. There are however a number of planning applications seeking to provide for co-living housing in the determination process at the time of writing.

### **The Policy Response**

- 9.91** On the same basis that there is a need to develop policy around Build to Rent, it is considered that a specific policy should be developed for co-living housing. The nature of the City's private rented

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<sup>13</sup> <https://www.cbre.co.uk/services/business-lines/valuation-and-advisory/valued-insights/articles/introduction-to-Co-Living>

<sup>14</sup> <https://www.fmindustry.com/en/2019/perspectives/47798/Why-Co-Living-is-Driving-the-UK%27s-Private-Rental-Sector-private-rental-homes-UK-Co-Living-Millennials-property-asset-classes-Residential-Property-United-Kingdom.htm>



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sector – particularly in areas such as the Central sub-area around the City Centre as well as southern sub-areas including Edgbaston and Selly Oak where students and graduates are principally based – demonstrates that there is potential for a market to grow and support the housing needs of a number of household groups.

- 9.92** Outside of London, we are not aware of any planning authorities that have a specific adopted co-living policy. Manchester City Council has developed an interim co-living policy and has made clear that an initial ceiling of up to 5,000 units to evaluate and test the market for co-living housing. As noted, there is now adopted policy at the pan-London level as well as in a number of London Boroughs in the context where a number of schemes are already fully operational in London.
- 9.93** The London Plan under Policy H16 relating to large-scale purpose-built shared living provides guidance on co-living developments. The London Plan recognises that these developments may provide a housing option for single person households who cannot or choose not to live in self-contained homes or HMOs. It refers principally to schemes which are generally of at least 50 units and provide an alternative to traditional flat shares and includes additional services and facilities, such as room cleaning, bed linen, on-site gym and concierge service.
- 9.94** In addition to the London Plan, a number of London Boroughs have or are developing specific local planning policies to respond to co-living schemes as they become more of a focal point for developers in the private rented sector. This includes Hackney and Lambeth which were the first two to progress with local policy on the sector. In both instances, as examples, the Councils acknowledged the principle of purpose-built, large-scale shared living, in line with the London Plan policy – noting a scale of 50 units in Hackney and 30 units in Lambeth. A range of criteria is set out including the requirement that it meets an identified need.
- 9.95** In Manchester, the City Council has recognised a need to be open to innovative housing models in an interim policy statement whilst setting an ‘initial ceiling’ of 5,000 units to be tested against a number of criteria, policies and specific standards in line with existing planning policy. The initial ceiling is intended to enable the Council to evaluate the suitability of co-living development at a manageable scale, and the contribution co-living can make to its core objectives.
- 9.96** Drawing on the policy frameworks established in the London Plan, the Council should construct a policy which supports high-quality co-living schemes where:
1. it is of good quality and design and adhere to minimum space standards;
  2. it is located centrally and is well-connected to local services and employment by walking, cycling and public transport, and its design does not contribute to car dependency;
  3. it is under single management;

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4. The facility has a concierge or other adequate safety and security personnel;
  5. its units are all for rent with minimum tenancy length of no less than three months;
  6. communal facilities and services are provided that are sufficient to meet the requirements of the intended number of residents and offer at least:
    - a) convenient access to a communal kitchen with adequate facilities to meet the needs of all residents;
    - b) outside communal amenity space (roof terrace and/or garden);
    - c) internal communal amenity space (dining rooms, lounges);
    - d) laundry and drying facilities;
  7. the private units provide adequate functional living space and layout, and are not self-contained homes or capable of being used as self-contained homes
  8. a management plan is provided with the application
  9. it delivers a level of affordable housing (discounted private rent) (set at viable levels) or up-front cash in lieu of a contribution towards affordable housing or an annual contribution in perpetuity.

**9.97** As set out it is expected that co-living schemes would be delivered in the Central sub-area where there is a core demographic and tenant profile which would align with the target market of co-living housing. These areas are also well connected to local services and transport and would help support the night-time economy.

**9.98** The policy could expect that schemes would be under single management and offer rent with a minimum tenancy of no less than 3 months as well as align with local planning policies and space standards.

**9.99** Other local authorities have encouraged co-living development where it is located next to growth areas or major centres of employment, it meets zero-carbon objectives, where students are precluded from the development and where it applies maximum tenancy lengths. These can be further considerations for the Council to make when developing policies.

**9.100** As noted previously Manchester also limited the number of co-living developments in the City to 5,000 units<sup>15</sup> to “allow the Council to evaluate the suitability of this type of development at a manageable scale, and the contribution these facilities can make to our core objectives.” Birmingham may well consider a similar ceiling as the product is largely untested in the City.

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<sup>15</sup> <https://democracy.manchester.gov.uk/documents/s17815/Co-living%20in%20Manchester.pdf>

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### **Key Points: Private Rental Sector**

The private rented sector has been the key growth sector in the housing market for the last 15 years and now makes up just over 20% of all UK households. Since 2011, the private rented sector has been the second largest housing tenure in England behind owner-occupation, overtaking social housing.

Across the City, the growth in the private rented sector has been strong over the last three decades in line with the national trend, and clearly plays an important role in supporting households. Notably, there is a high proportion of high skilled households living in the PRS; however, there is also a high number of claimants in the sector. The PRS is therefore dynamic and supports households at both ends of the spectrum.

The profile of those in the private rented sector is typically focussed on those in their 20's and 30's and there is also a high proportion of young children – the PRS therefore caters for a combination of young professionals as well as young families. The largest household group is young single households.

There are gaps between private lower quartile rents and LHA rates in the City and for smaller and larger properties, this suggests challenges for those on lower incomes and their ability access the private rental market. Our analysis of affordable housing need does however suggest that there's no real difference in affordability terms between home ownership and private renting in terms of cost for those who can afford to buy, and the issue for this group in the PRS therefore is more likely to be an issue of deposit and choice.

There are around 6,300 identified HMOs in the City with the greatest numbers of these located within the Selly Oak (41%) and Edgbaston (13%) sub-areas. The Council could consider limiting the proliferation of HMOs in response to increasing number of families. The housing need for this group can be addressed through further growth in build to rent and/or co-living.

Over recent years, successive Governments have looked to the private rented sector to play a greater role in providing more new build housing and have sought to encourage "Build to Rent" development as well as co-living housing which cater to the role of the PRS in supporting a range of households in the market.

Given the benefits of Build to Rent development, including longer tenancies and the provision of affordable rented housing, as well as noting that a Build to Rent market is already established in the City, it is considered appropriate that the Council duly recognise the role of Build to Rent development and craft planning policy which help to support it and provide clarity on how policies will be applied

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to it. Given the nature of the sector, the Council are advised to align policy requirements to national guidance.

The Council should develop a policy supporting Build to Rent development which specifies the types of locations where such development is encouraged – this includes the Central sub-area as well as the South sub-areas around the University where private renting is already established.

In the context of co-living housing, the Council should develop a specific policy which supports this form of housing where a local need is demonstrated. This is expected to be in areas such as the Central sub-area around the City Centre as well as southern sub-areas including Edgbaston and Selly Oak where students and graduates are principally based.

Drawing on the policy frameworks on co-living development established by the London Plan, the Council should construct a policy which supports high-quality co-living schemes which meets certain criteria. It is expected that co-living schemes would be delivered in the Central sub-area where there is a core demographic and tenant profile which would align with the target market of co-living housing. These areas are also well connected to local services and transport and the additional population would support the night-time economy.

The policy could expect that schemes would be under single management and offer rent with a minimum tenancy of no less than 3 months as well as align with local planning policies and space standards.

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## 10. SELF-BUILD AND CUSTOM HOUSEBUILDING

- 10.1** The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) (“the 2015 Act”) provides a legal definition of ‘self-build and custom housebuilding’ which are where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.
- 10.2** The Government has long had a clear agenda for supporting and promoting the self-build and custom-building sector. In *Laying the Foundations: A Housing Strategy for England* (November 2011), the Coalition Government set out plans to enable more people to build or commission their own home.
- 10.3** The Housing and Planning Act 2016 (“the 2016 Act”), which received Royal Assent on 12<sup>th</sup> May 2016, formally introduced the ‘Right to Build’ at Chapter 2. This 2016 Act under the ‘duty to grant planning permissions etc’ has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period. The Self-Build and Custom Housebuilding Regulations 2016 subsequently came into force on 31<sup>st</sup> October 2016, amending the 2015 Act and implementing Chapter 2 of the 2016 Act.
- 10.4** In the Government’s Housing White Paper<sup>16</sup> (paragraph 3.14) in January 2017, the commitment to support the self-build and custom housebuilding sector was reasserted, the Government stating that “*alongside smaller firms, the Government wants to support the growth of custom built homes*” in recognition of the fact that custom build homes are generally built more quickly, built to a higher quality and tend to use more productive and modern methods of construction.
- 10.5** In addition, the Government highlighted that “*fewer homes are custom built in England than many other countries, but there is evidence of more demand for them including from older people*”. According to successive Ipsos MORI polls at the time of the Paper’s publication, more than a million people across the UK expected to buy a building plot, secure planning permission or start/complete construction work on their new home.
- 10.6** On the other side of the argument however, the Government (paragraph 3.15) did acknowledge that there are barriers to self-build and custom housebuilding, including access to finance – as “*mortgages for custom and self-built homes represent a very small proportion of the overall lending*”

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<sup>16</sup> Fixing our Broken Housing Market (DCLG, February 2017)

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*market*", the planning process and variations to local authority approaches and crucially, land supply and procurement.

- 10.7** The Government has continued to express support for the self-build and custom housebuilding sector through the more recent White Paper: Planning for the Future which was consulted on during August 2020 to October 2020.
- 10.8** On 21<sup>st</sup> August 2021, an independent review by Richard Bacon MP into scaling up self-build and custom housebuilding was published. The review recognises and champions the benefits of self-build housing including boosting overall housing delivery, increasing choice in the market and delivering homes which are generally high-quality. The report sets out a number of recommendations including raising awareness of the Right to Build, strengthening current legislation and supporting planning reforms to maximise the opportunities for self-build housing.

#### **Birmingham Self-Build Register**

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- 10.9** As of 1<sup>st</sup> April 2016, and in line with the 2015 Act and the Right to Build, relevant authorities in England are required to have established and publicised a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land in the authority's area in order to build their own self-build and custom houses.
- 10.10** The Birmingham Self-Build and Custom Housebuilding Register was introduced for 1<sup>st</sup> April 2016 and there has now been five full base periods up to 30<sup>th</sup> October 2020. There are no eligibility tests in place in the City such as a Local Connection Test and there is no requirement to pay a fee to join the register.
- 10.11** The Council is required to grant sufficient planning permissions to meet the demand identified on the Register as per the 2015 Act (as amended) and must have regard to the entries when carrying out their planning, housing, land disposal and regeneration functions. If assessed over the five full base periods, there has been a total of 144 registered expressions of interest in a serviced plot of land.
- 10.12** The Table below provides a base period breakdown of those individuals who have expressed demand for serviced plots of land in Birmingham. It is notable that the number has increased year-on-year, which would be expected as the register has become more established.

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### Serviced Plot Demand by Base Period in Birmingham

	Total Entries
Base Period 1 (16 August 2015 to 30 <sup>th</sup> October 2016)	17
Base Period 2 (31 <sup>st</sup> October 2016 to 30 <sup>th</sup> October 2017)	22
Base Period 3 (31 <sup>st</sup> October 2017 to 30 <sup>th</sup> October 2018)	31
Base Period 4 (31 <sup>st</sup> October 2018 to 30 <sup>h</sup> October 2019)	36
Base Period 5 (31 <sup>st</sup> October 2019 to 30 <sup>th</sup> October 2020)	38
<b>Total</b>	<b>144</b>

**10.13** It is worth highlighting that a survey<sup>17</sup> undertaken by YouGov on behalf of the National Custom and Self-Build Association (“NaCSBA”) in October 2020 found that awareness of the Right to Build legislation is low with 83% of people unaware that the local authority self-build registers exist. As a result, the number of individuals on a local authority’s self-build register may underestimate demand.

#### Broader Demand Evidence

**10.14** In order to supplement the data from the Council’s own register, we have looked to secondary sources as recommended by the PPG, which for this report is data from NaCSBA - the national association for the custom and self-build housing sector.

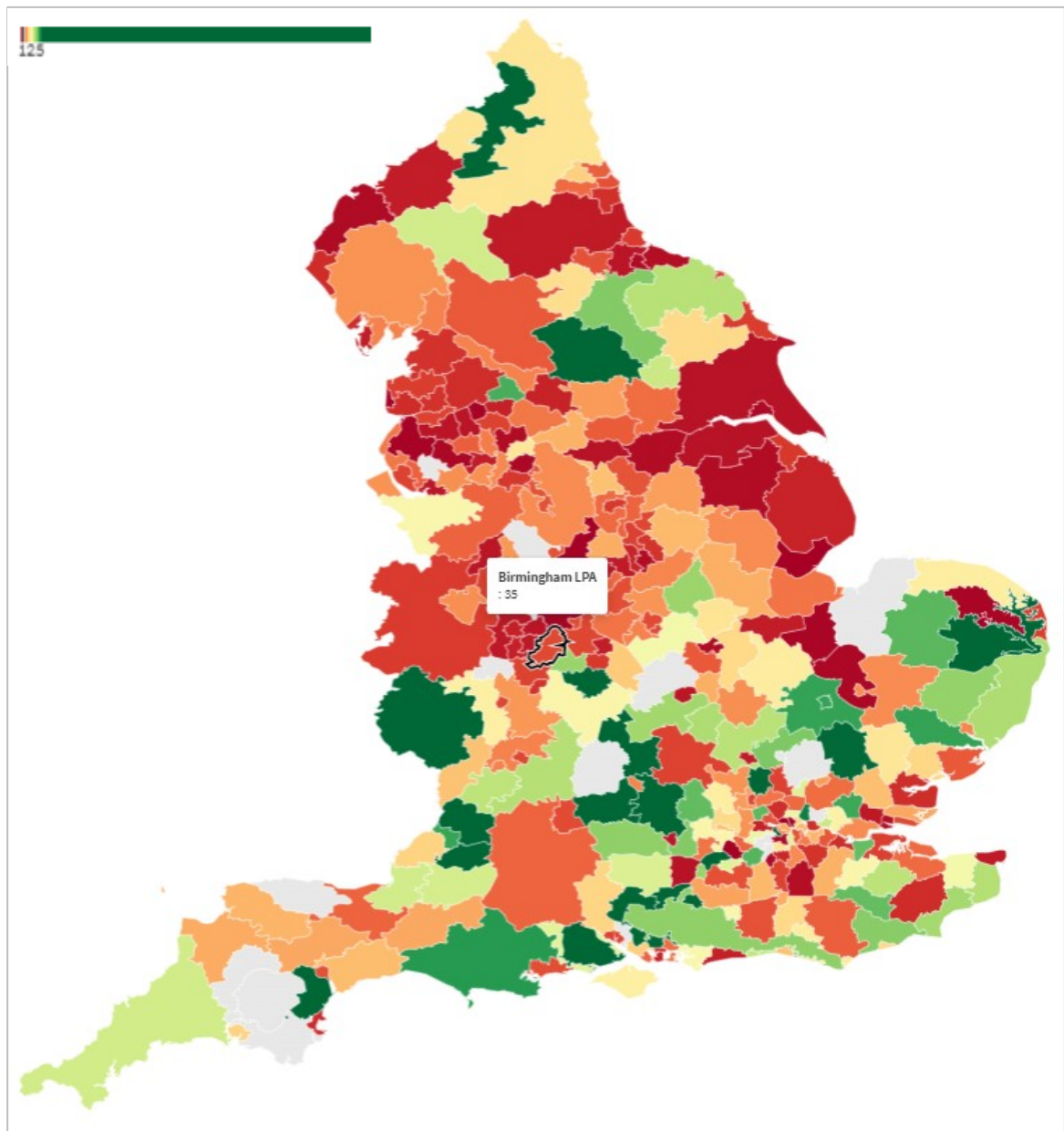
**10.15** First, it is worth highlighting that the recent October 2020 survey undertaken by YouGov on behalf of NaCSBA found that 1 in 3 people (32%) are interested in building their own home at some point in the future, including 12% who said they were very interested. Notably, almost half (48%) of those aged between 18 and 24 were interested in building their own home, compared to just 18% of those aged 55 and over. This is notable as, traditionally, self-build has been seen as the reserve of older members of society aged 55 and over, with equity in their property

**10.16** Second, we can draw on NaCSBA data to better understand the level of demand for serviced plots in Birmingham in relative terms. The association has recently published analysis with supporting maps and commentary titled “Mapping the Right to Build” in 2019. This includes an output on the demand for serviced plots as a proportion of total population relative to all other local authorities across England. One of the key maps within the report highlights the areas of strongest demand and this is shown in the Figure below.

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<sup>17</sup> A survey of 2,017 adults with fieldwork undertaken online between 9<sup>th</sup> – 11<sup>th</sup> October 2020. The figures are weighted and are representative of all GB adults aged 18+

**Figure 11.5: Overall Demand for Self-Build Plots per 100,000 of Population**



Source: NaCSBA “Mapping the Right to Build”, 2020

- 10.17** The map reflects register data from local authorities across the country with Birmingham clearly highlighted. The map demonstrates that Birmingham has low demand per 100,000 of the population. The data which sits behind the map states that there is demand from 35 persons per 100,000 in Birmingham which places the City in the bottom third of authorities in England.

### **Supporting the Self-Build and Custom Housebuilding**

- 10.18** It is clear that there is demand for self-build and custom housebuilding serviced plots of land in Birmingham as over the last five base periods, there has been a total of 144 entries. However, set in context, data from NaCSBA research indicates that demand is relatively low from 35 individuals per 100,000 of the population.



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**10.19** The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG<sup>18</sup> is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward.

**10.20** There are a number of measures which can be used to do this, including but not limited to:

- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
- working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing; and
- when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested;
- working with local partners, such as registered providers and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.

**10.21** The Birmingham Development Plan adopted in January 2017 is silent on self-build and custom build housing. However, the Development Management in Birmingham DPD, which is scheduled for adoption in December 2021 includes Policy DM13 Self and Custom Build Housing.

**10.22** The policy promotes the development of SCB housing and supports the provision of affordable self-build plots within the mix of affordable housing on large residential sites (200 dwellings+) The Council has also explicitly supported opportunities for self-build and custom build homes for a number of years.

**10.23** In July 2017, the City Council set out a policy report entitled “Incentivising Self-build in the City” to Cabinet – was which subsequently approved – detailing proposals for the Council to sell land suitable for self-build and custom build developments to applicants who are registered on the Council’s self-build register as well as a general commitment to support self-build.

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<sup>18</sup> Paragraph: 025 Reference ID: 57-025-20210508

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**10.24** More recently in May 2020, the City Council took a policy report on Community-Led Housing (“CLH”) to Cabinet setting out a CLH Policy which includes recognising the self-build and custom build community as well as the approach approved in July 2017 to providing opportunities to support them. The latest policy report explicitly states at paragraph 6.8.3 that:

“The Council will also promote self and custom-build through planning policy. The Council will also dispose of land for self-build subject to the criteria set out in the Cabinet report for custom and self-build. The Birmingham Design Guide currently being developed will include design related guidance for SCB Housing.”

**10.25** Icenl would note that an increasing number of local planning authorities have adopted specific self-build and custom housebuilding policies in respective Local Plans to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application.

**10.26** A specific policy would typically express support for self-build and custom housebuilding – as has been done through the City Council’s approach so far - and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots and/or allocation of sites solely for the use. This is often known as the “Teignbridge Rule” after the first District Council to adopt the first self-build policy. In this instance, 5% of all developable housing land is allocated for custom and self-build on larger sites. However, there are clear challenges with this approach due to the nature of land supply in the City.

**10.27** Icenl consider that in order to respond to demand in the sector, and in response to the PPG’s requirements, the Council should continue to support, through planning policy DM13, the submission and delivery of self-build and custom housebuilding sites

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### **Key Points: Self-Build and Custom Housebuilding**

Self-build and custom housebuilding is a growing sector of the housing market, and one which has potential to contribute to housing delivery. Since the introduction of the Council's self-build register on 1<sup>st</sup> April 2016 to the end of the fifth base period, there have been a total of 145 individuals entered onto the Council's Register.

Setting this in context, this translates into demand from 35 persons per 100,000 of the population in Birmingham which places the City in the bottom third of authorities in England. Nevertheless, there is clearly demand which has to be addressed and self and custom build housing has a role to play in meeting housing needs.

The PPG sets out clearly that relevant authorities should consider how they can best support self-build and custom housebuilding in their area including developing policy and working with self-builders to maximise opportunities.

The Council has explicitly supported opportunities for self-build and custom build homes for a number of years and has detailed proposals to sell land suitable for self-build and custom build developments to applicants who are registered on the Council's self-build register as well as a general commitment to support self-build.

Iceni consider that in order to respond to demand in the sector, and in response to the PPG's requirements, the Council should continue to support, through planning policy, the submission and delivery of self-build and custom housebuilding sites.

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## 11. THE NEEDS OF OLDER PEOPLE AND PEOPLE WITH DISABILITIES

### Introduction

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- 11.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. It responds to Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

### Understanding the Implications of Demographic Change

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- 11.2 The population of older persons is increasing, driven by demographic changes including increasing life expectancy. This is a key driver of the need for housing which is capable of meeting the needs of older persons.

### Current Population of Older People

- 11.3 The table below provides baseline population data about older persons in Birmingham and compares this with other areas. The population data has been taken from the published 2020 ONS mid-year population estimates (MYE). The table shows that Birmingham has a much younger age structure than other areas with only 13% of the population being aged 65 and over, this compares with 19% regionally and nationally.

**Table 11.1 Older Persons Population, 2020**

	Birmingham	West Midlands	England
Under 65	86.9%	81.3%	81.5%
65-74	6.8%	9.8%	9.9%
75-84	4.3%	6.4%	6.1%
85+	1.9%	2.5%	2.5%
Total	100.0%	100.0%	100.0%
Total 65+	13.1%	18.7%	18.5%
Total 75+	6.3%	8.8%	8.6%

Source: ONS Mid-Year Population Estimates

- 11.4 The table below shows the same information for sub-areas, this shows some variation in the proportion of people aged 65 and over, ranging from 7% in Central, up to 23% of the population in Sutton Coldfield.

**Table 11.2 Older Persons Population, 2020 – sub-areas**

	Under 65	65-74	75-84	85+	Total	Total 65+	Total 75+
Central	92.6%	3.9%	2.4%	1.1%	100.0%	7.4%	3.5%
Edgbaston	85.9%	7.5%	4.6%	2.0%	100.0%	14.1%	6.6%
Erdington	86.1%	7.2%	4.6%	2.1%	100.0%	13.9%	6.7%
Hall Green	86.7%	7.3%	4.0%	2.0%	100.0%	13.3%	6.0%
Hodge Hill	89.8%	5.4%	3.2%	1.5%	100.0%	10.2%	4.8%
Northfield	83.7%	8.7%	5.4%	2.3%	100.0%	16.3%	7.6%
Perry Barr	88.3%	6.1%	4.0%	1.7%	100.0%	11.7%	5.7%
Selly Oak	85.8%	7.3%	4.8%	2.0%	100.0%	14.2%	6.8%
Sutton Coldfield	76.9%	11.5%	8.0%	3.6%	100.0%	23.1%	11.6%
Yardley	86.1%	7.1%	4.7%	2.1%	100.0%	13.9%	6.8%
TOTAL	86.9%	6.8%	4.3%	1.9%	100.0%	13.1%	6.3%

Source: ONS Mid-Year Population Estimates

### Projected Future Change in the Population of Older People

- 11.5** Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that Birmingham is projected to see a notable increase in the older person population (projections using the demographic assessment projection-Scenario 2 developed from the 2018-based SNPP (alternative internal migration variant)).
- 11.6** In Birmingham, the total number of people aged 65 and over projected to increase by 32% over the 20-years to 2040. This compares with overall population growth of 11% and a more modest increase in the Under 65 population of 8%. In total population terms, the projections show an increase in the population aged 65 and over of 47,300 people. This is against a backdrop of an overall increase of 122,200 – population growth of people aged 65 and over therefore accounts for 39% of the total projected population change.

**Table 11.3 Projected Change in Population of Older Persons, 2020 to 2040 – Birmingham (based on demographic assessment - Scenario 2)**

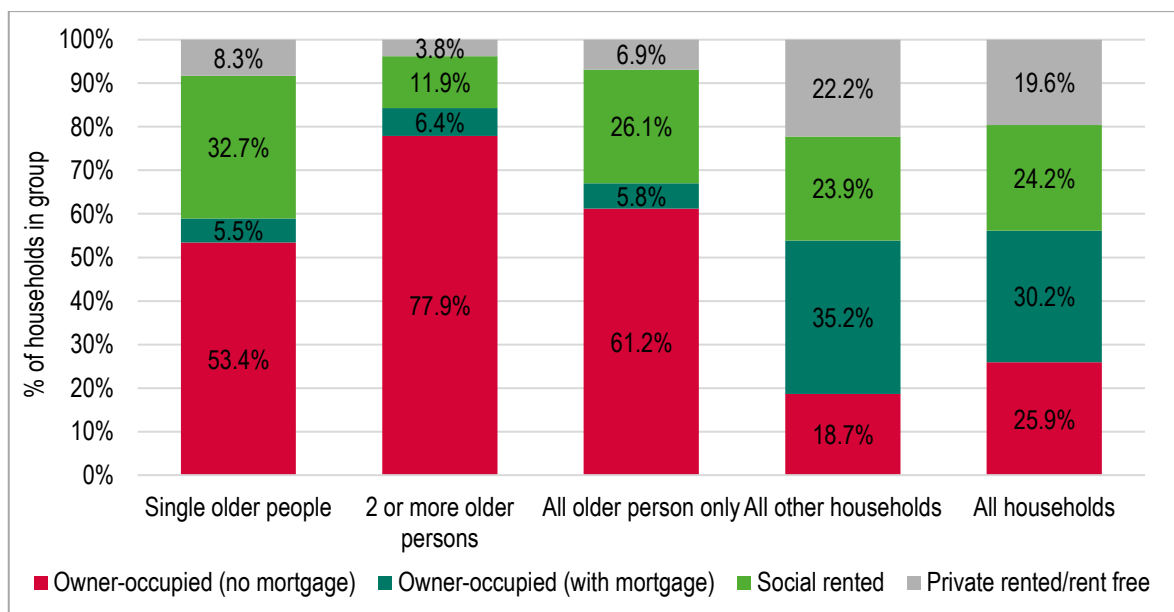
	2020	2040	Change in population	% change
Under 65	991,113	1,065,948	74,835	7.6%
65-74	77,941	98,094	20,153	25.9%
75-84	49,454	68,585	19,131	38.7%
85+	22,017	30,070	8,053	36.6%
Total	1,140,525	1,262,697	122,172	10.7%
Total 65+	149,412	196,749	47,337	31.7%
Total 75+	71,471	98,655	27,184	38.0%

Source: Demographic Projections

## Characteristics of Older Person Households

- 11.7** The figure below shows the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (67% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 26% of older persons households across the City live in the social rented sector; the proportion of older person households living in the private rented sector is relatively low (about 7%).
- 11.8** There are also notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

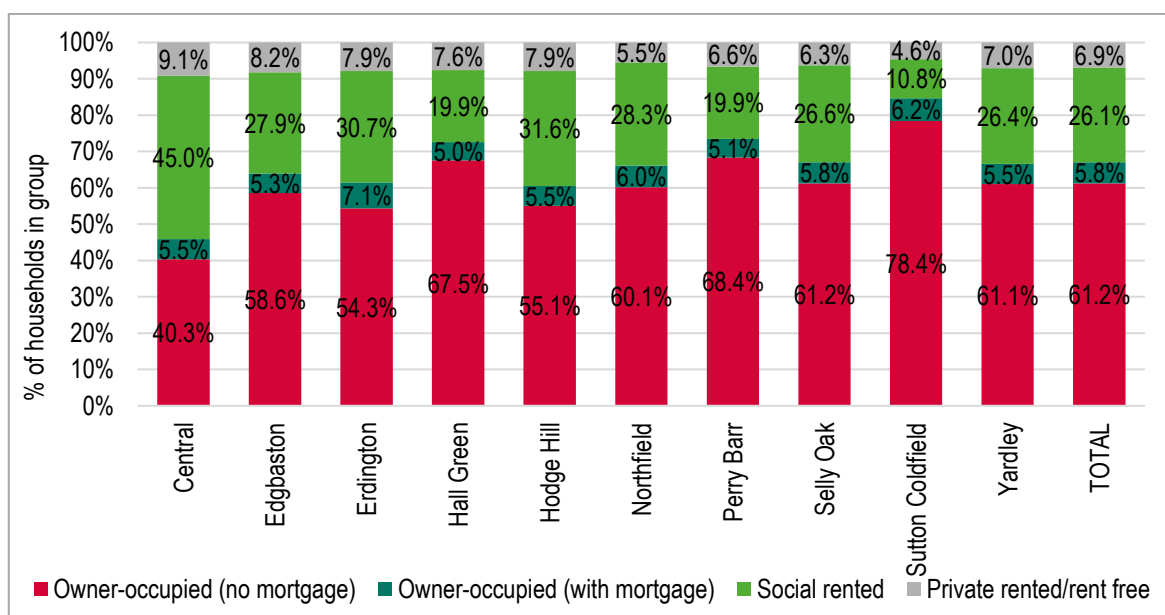
Tenure of Older Persons Households in Birmingham, 2011



Source: 2011 Census

- 11.9** The figure below shows the same information for sub-areas – the data is provided for all older person households. The data shows that the tenure profile of older person households varies notably across the study area; a key observation is the lower level of owner-occupation amongst older people in the Central area – this area does however have a relatively low proportion of older people in the population. In Sutton Coldfield, some 85% of older person households are owner-occupiers.

**Table 11.4 Tenure of Older Persons Households in Birmingham, 2011 – sub-areas**



Source: 2011 Census

**Prevalence of Disabilities**

**11.10** The table below shows the proportion of people with a long-term health problem or disability (LTHPD) drawn from 2011 Census data, and the proportion of households where at least one person has a LTHPD. The data suggests that some 37% of households in Birmingham contain someone with a LTHPD. This figure is broadly similar to that seen across the region and above the national average. The figures for the population with a LTHPD again show a proportion more in-line with the regional and national average, likely to reflect larger household sizes in the City.

**Households and People with a Long-Term Health Problem or Disability, 2011**

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Birmingham	150,113	36.5%	197,901	18.4%
West Midlands	810,722	35.3%	1,062,064	19.0%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

**11.11** The analysis also shows some differences between different parts of the study area, with Erdington seeing a higher proportion of the population with a LTHPD, the lowest proportion being in Central (related to the low proportion of older people). Hodge Hill has the highest proportion of households with someone who has a LTHPD, the lowest again being Central.

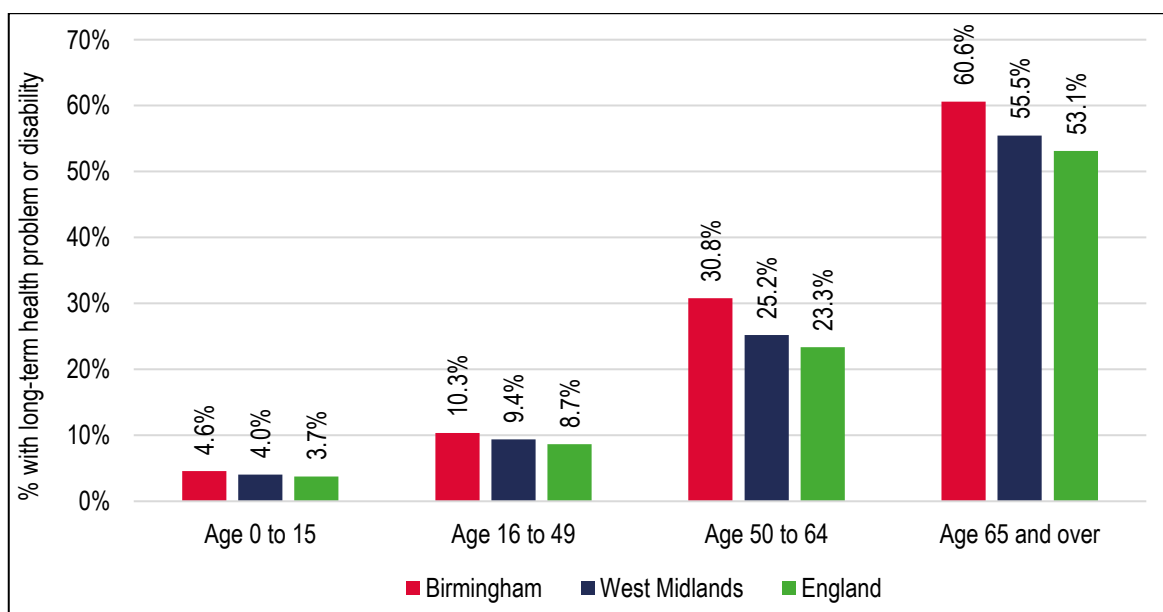
**Table 11.5 Households and People with a Long-Term Health Problem or Disability, 2011 – sub-areas – Birmingham**

	Households Containing Someone with a Health Problem		Population with a Health Problem	
	No.	%	No.	%
Central	21,087	33.4%	28,699	15.9%
Edgbaston	12,199	33.8%	15,733	18.2%
Erdington	17,093	39.5%	22,521	21.7%
Hall Green	10,291	36.9%	14,042	17.7%
Hodge Hill	15,086	42.3%	20,166	19.2%
Northfield	17,774	37.9%	22,649	20.4%
Perry Barr	15,300	38.5%	20,540	17.8%
Selly Oak	13,934	34.6%	18,241	18.0%
Sutton Coldfield	12,571	31.5%	15,993	16.8%
Yardley	14,778	39.0%	19,317	20.2%
TOTAL	150,113	36.5%	197,901	18.4%

Source: 2011 Census

**11.12** It is likely that the age profile will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. The figure below shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD. The analysis also typically shows higher levels of LTHPD in each age band within Birmingham when compared with the regional and national position.

**Table 11.6 Population with Long-Term Health Problem or Disability by Age**

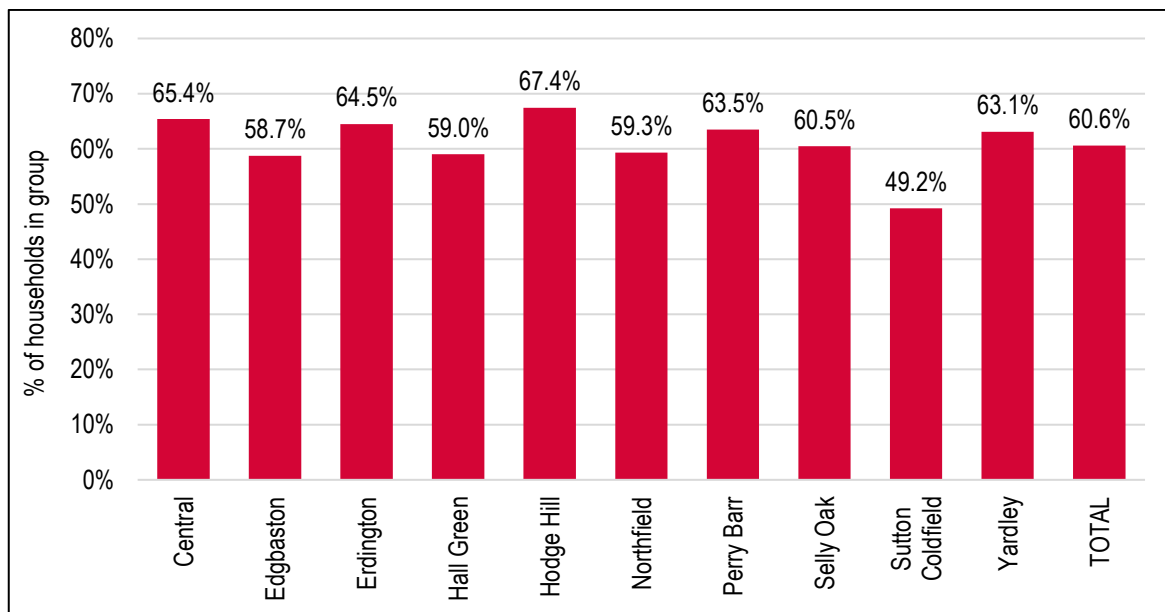


Source: 2011 Census

**11.13** The figure below shows the proportion of the population aged 65 and over with a LTHPD by sub-area. This shows some notable differences, from 49% of the population in Sutton Coldfield, up to 67% in Hodge Hill.



**Table 11.7 Proportion of population aged 65 and over with a Long-Term Health Problem or Disability – Birmingham – sub-areas**



Source: 2011 Census

### Household Survey Data on Disabilities

- 11.14** The household survey collected a range of data about people and households with a disability in the City. Firstly households were asked ‘Do you or another adult in your household have a long term illness, health problem or disability that limits daily activity or work?’. In total, 36% of households responded saying that someone did have a disability – equating to approximately 156,200 households. This proportion is similar to that shown above (36.5% of all households containing someone with a disability, albeit this higher figure does include children).
- 11.15** The table below shows the range of disabilities recorded by households. As more than one person in a household can have a disability the total number is higher than the number of households. In total, around 196,500 adults are estimated to have some form of disability, a figure again close to that shown from Census data (of 197,900 – including children). The main category of disability was a physical disability from a non-wheelchair user, making up around half of all people with a disability, mental health problems was the next highest category. The survey also recorded a significant number of people stating an ‘other’ disability (this is other to those categories used on the survey form). A very wide range of other disabilities were recorder, the main other one being Arthritis, with around 5,800 (estimated) people stating this.

### Nature of health problem for adults with some form of disability

	Number of people	% of people
Physical wheelchair user	25,638	13.0%
Physical non-wheelchair	94,750	48.2%
Learning disability	8,066	4.1%
Mental Health	29,427	15.0%
Visual impairment	6,948	3.5%
Hearing impairment	1,807	0.9%
Other	29,832	15.2%
TOTAL	196,468	100.0%

Source: Household Survey

- 11.16** As well as the questions of adults above, the survey asked: ‘Do any children (aged 15 and under) in your household have a long term illness, health problem or disability that limits daily activity?’. In response to this around 4.4% of households said yes (equating to around 19,200 households). In terms of the nature of the disability, the table below shows that there is a strong focus on learning disabilities, making up 44% of the total. Again, there was an appreciable number stating ‘Other’ and in this case the other group included asthma and speech problems.

**Table 11.8 Nature of health problem for children with some form of disability**

	Number of people	% of people
Physical wheelchair user	1,270	4.2%
Physical non-wheelchair	2,483	8.2%
Learning disability	13,377	44.4%
Mental Health	2,506	8.3%
Visual impairment	831	2.8%
Hearing impairment	1,294	4.3%
Other	8,340	27.7%
TOTAL	30,101	100.0%

Source: Household Survey

### Health Related Population Projections

- 11.17** The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population.
- 11.18** The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown. In all cases the analysis links to estimates of population growth based on the demographic assessment - Scenario 2 (which links to the 2018-SNPP (alternative internal migration variant)).

**11.19** Of particular note are the large increases in the number of older people with dementia (increasing by 35% from 2020 to 2040 and mobility problems (33% increase over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of 10,600 people aged 65+ with a mobility problem represents 9% of total projected population growth.

**11.20** It should be noted that there will be an overlap between categories (i.e. some people will have both dementia and mobility problems). Hence the numbers for each of the illnesses/disabilities should not be added together to arrive at a total.

#### Projected Changes to Population with a Range of Disabilities – Birmingham

Disability	Age Range	2020	2040	Change	% Change
Dementia	65+	12,336	16,652	4,316	35.0%
Mobility problems	65+	32,055	42,660	10,605	33.1%
Autistic Spectrum Disorders	18-64	8,689	9,585	896	10.3%
	65+	1,574	2,097	523	33.2%
Learning Disabilities	15-64	22,979	24,976	1,996	8.7%
	65+	3,536	4,655	1,119	31.7%
Challenging behaviour	15-64	417	453	36	8.7%
Impaired mobility	16-64	40,224	43,324	3,100	7.7%

Source: POPPI/PANSI and Demographic Projections

**11.21** Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.

**11.22** The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Council should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

**11.23** The PPG for Housing for Older and Disabled People [63-006] refers only to specialist housing for older people; however, clearly the local authority should support specialist housing schemes for younger adults which come forward across the plan area.

**11.24** The analysis suggests that there is likely to be some increase in the number of younger people (generally those aged 16/18 to 64) with a disability across the study area. There are a range of

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disabilities that are likely to require some degree of support, or potentially some form of specialised housing solution.

- 11.25** This report does not seek to be specific about the exact number of units that need to be provided for different groups, nor where such accommodation should be located. Indeed, some types of specialist accommodation might have a wide catchment and would be suitable for clients from outside of the study area; whilst it is also possible that some people in the area would be placed in accommodation elsewhere.
- 11.26** The council have estimated that supported housing provision in Birmingham has been increasing significantly from around 11,740 units in 2018 to over 21,000 by 2021. This is distributed across the City, with concentrations north of the City Centre in Stockland Green, Aston as well as Soho and the Jewellery Quarter.
- 11.27** This would include exempt accommodation i.e. private or RP homes used to accommodate those with supported housing need. This means there is supply for single people with support needs, but also variable standards.
- 11.28** The Council's own assessment of need estimates a total local supported housing need of between 9,255 and 11,255 residents. This is drawn from PANSI data and also from their own records. The largest percentage of this need were for homeless households (21.6%), those with mental health issues (17.5%) and young people include care leavers (16.3%).

### **Need for Specialist Accommodation for Older Persons**

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- 11.29** Given the ageing population and higher levels of disability and health problems amongst older people, there is likely to be an increased requirement for specialist housing options moving forward. The box below shows the different types of older persons housing which are considered.

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### Definitions of Different Types of Older Persons' Accommodation

**Age-restricted general market housing:** This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens but does not include support or care services.

**Retirement living or sheltered housing (housing with support):** This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

**Extra care housing or housing-with-care (housing with care):** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

**Residential care homes and nursing homes (care bedspaces):** These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: *Planning Practice Guidance [63-010]*

- 11.30** The need for specialist housing for older persons is typically modelled by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is no standard methodology for assessing the housing and care needs of older people. The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. Additionally, the extent to which new homes are built to accessible and adaptable standards may over time have an impact on specialist demand (given that older people often want to remain at home rather than move to care) – this will need to be monitored.
- 11.31** There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages.
- 11.32** Whilst there are no definitive rates, the PPG [63-004] notes that *'the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool'*. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.

**11.33** The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 a further suggested set of rates was published (rates which were repeated in a 2012 publications). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website.

**11.34** Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).

**11.35** For clarity, the table below shows the base prevalence rates set out in the various documents described above. For the analysis in this report the age-restricted and retirement/sheltered have been merged into a single category (housing with support) with the middle of the range shown for housing with care forming the base position for analysis.

**Range of suggested baseline prevalence rates from a number of tools and publications**

Type/Rate	SHOP@ (2008) <sup>19</sup>	Housing in Later Life (2012) <sup>20</sup>	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Range of sources as identified

**11.36** In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the Council want to require extra care housing as an alternative to

<sup>19</sup> Based on the More Choice Greater Voice publication of 2008 ([https://www.housinglin.org.uk/assets/Resources/Housing/Support\\_materials/Reports/MCGVdocument.pdf](https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf)). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

<sup>20</sup> [https://www.housinglin.org.uk/assets/Resources/Housing/Support\\_materials/Toolkit/Housing\\_in\\_Later\\_Life\\_Toolkit.pdf](https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf)

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residential care provision would influence the relative balance of need between these two housing types;

- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. It is more focused towards publicly commissioned provision. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, particularly in extra care; and
- The assumptions in these studies look at the situation nationally. At a more local level, the relative health of an area's population is likely to influence the need for specialist housing with better levels of health likely to mean residents are able to stay in their own homes for longer

**11.37** Icenii and JGC have therefore sought to consider these issues and the appropriate modelling assumptions for assessing future needs. Nationally, there has been a clear focus on strengthening a community-led approach and reducing reliance on residential and nursing care – in particular focussing where possible on providing households with care in their own home. This could however be provision of care within general needs housing; but also care which is provided in a housing with care development such as in extra care housing.

**11.38** We consider that the prevalence rates shown in the 2016 Housing LIN Review is an appropriate starting point; but that the corollary of lower care home provision should be a greater focus on delivery of housing with care. Having regard to market growth in this sector in recent years, and since the above studies were prepared, we consider that the starting point for housing with care should be the higher rate shown in the SHOP@ report (this is the figure that would align with the PPG).

**11.39** Rather than simply taking the base prevalence rates, an initial adjustment has been made to reflect the relative health of the local older person population. This has been based on Census data about the proportion of the population aged 65 and over who have a long-term health problem or disability (LTHPD) compared with the England average. In Birmingham, the data shows worse health in the older person population and so the prevalence rates used have been increased slightly (by an average of about 14%) – these figures are based on comparing the proportion of people aged 65 and over with a LTHPD in Birmingham (60.6%) with the equivalent figure for England (53.1%).

**11.40** A second local adjustment has been to estimate a tenure split for the housing with support and housing with care categories. This again draws on suggestions in the 2016 Review which suggests that less deprived local authorities could expect a higher proportion of their specialist housing to be in the market sector. Using 2019 Index of Multiple Deprivation (IMD) data, the analysis suggests Birmingham is the 6<sup>th</sup> most deprived local authority in England (out of 317). This suggests a lower proportion of market housing than for an authority in the middle of the range. To be clear this is

market housing within the categories described above (e.g. housing with support and housing with care).

**11.41** The tables below show estimated needs for different types of housing linked to the population projections. The analysis is separated into the various different types and tenures although it should be recognised that there could be some overlap between categories (i.e. some households might be suited to more than one type of accommodation).

**11.42** Overall, the analysis suggests that there will be a notable need for both housing with support and housing with care (in both market and affordable sectors for housing with support and focussing on affordable homes for housing with care), as well as some additional nursing and residential care bedspaces.

**Table 11.9 Specialist Housing Need using adjusted SHOP@Review Assumptions, 2020-40 – Birmingham**

		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Addition -al demand to 2040	Shortfall /surplus by 2040
Housing with support	Market	29	2,177	2,101	-76	799	723
	Affordable	113	10,298	8,090	-2,208	3,077	868
Total (housing with support)		143	12,475	10,191	-2,284	3,876	1,592
Housing with care	Market	13	1,322	961	-361	365	4
	Affordable	38	1,175	2,708	1,533	1,030	2,563
Total (housing with care)		51	2,497	3,669	1,172	1,395	2,567
Residential care bedspaces		46	2,431	3,261	830	1,240	2,070
Nursing care bedspaces		51	3,058	3,669	611	1,395	2,006
Total bedspaces		97	5,489	6,930	1,441	2,636	4,076

*Source: Derived from Demographic Projections and Housing LIN/EAC*

**11.43** It can be seen by 2040 there is an estimated need for 4,159 additional dwellings with support or care across the whole study area. In addition, there is a need for 4,076 additional nursing and residential care bedspaces. Typically for bedspaces it is conventional to convert to dwellings using a standard multiplier (1.80 bedspaces per dwelling for older persons accommodation) and this would therefore equate to around 2,265 dwellings. In total, the older persons analysis therefore points towards a need for around 6,424 units over the 2020-40 period (321 per annum) – the older person need equates to some 7% of all homes (based on the demographic scenario) needing to be some form of specialist accommodation for older people.

**11.44** The provision of a choice of attractive housing options to older households is a component of achieving good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing



needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life.

- 11.45** It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Council to seek a range of products that will be accessible to a wider number of households if needs are to be met.
- 11.46** One further consideration is that the delivery of less intensive housing such as extra care will ease demand for more intensive housing such as care homes. Therefore the Council should not seek to limit the number of less intensive forms of housing to the numbers set out above i.e. it is a minimum. Conversely, the care bedspaces need should be seen as a maximum as this can be addressed by other, more cost effective forms of housing which allow residents to live in them for longer.

### Survey Data on Older People

- 11.47** The household survey collected a range of data about older person households with an initial screening question of 'Are you or another adult in your household regarded as being elderly?'. In total some 29.4% of respondents answered yes to this question, equivalent to an estimated 127,600 households. It needs to be remembered that some of these households will be an older person living as part of an extended family, and it should also be noted that the survey did not define elderly and so some younger respondents may have answered yes, with some older people not considering themselves to be elderly.
- 11.48** Households answering yes to the question about being elderly were further asked if their current home had been adapted or purpose built for a person regarded as being elderly? In total, some 26% said that their home had been adapted, representing around 32,800 households. The table below shows responses to this question. By far the main adaptation was found to be bathroom adaptations, followed by handrails/grab rails.

**Has your current home been adapted or purpose built for a person regarded as being elderly?  
(households identifying as elderly only)**

	Number of households	% of households
Yes, been adapted	25,357	19.9%
Yes, purpose built	7,432	5.8%
No	94,777	74.3%
Total	127,566	100.0%

Source: Household Survey

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## Older Persons' Housing, Planning Use Classes and Affordable Housing Policies

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- 11.49** The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. The Planning Practice Guidance defines extra care housing or housing with care as follows:

*“This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses”.*

- 11.50** There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.
- 11.51** The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

### Use Classes

- 11.52** Use classes are defined in the Town and Country Planning (Use Classes) Order 1987. Use Class C2: Residential Institutions is defined as *“use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses).”* C3 (dwelling houses) are defined as *“use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).”*
- 11.53** Care is defined in the Use Class Order as meaning *“personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment.”*

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**11.54** Personal care has been defined in Regulations<sup>21</sup> as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”

**11.55** Government has released new Planning Practice Guidance of *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

*“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided.”*

**11.56** The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. It is notable that no reference is made to whether units of accommodation have separate front doors. This is consistent with the Use Class Order, where it is the ongoing provision of care which is the distinguishing feature within the C2 definition. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

**11.57** A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents’ care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

### **NPPF Policies on Affordable Housing**

**11.58** For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied. In all cases we are dealing with residential accommodation. But nor is there a clear policy basis for seeking affordable

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<sup>21</sup> Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

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housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

**11.59** The NPPF (July 2021) sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 63 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

**11.60** Paragraph 64 states that affordable housing should not be sought from residential developments that are not major developments. Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But neither of these paragraphs set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.

**11.61** The implication for Birmingham is that:

- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
- If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.

**11.62** Within the local plan, it would be possible to craft a policy in such a way that affordable housing could be sought on extra care housing from both C2 and C3 use classes and it should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019). It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

### **Viability**

**11.63** There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated

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through sales (although individual units may be smaller);

- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

**11.64** There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care.

**11.65** Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing, and this may be something that the Council wishes to consider through the preparation of a new Local Plan. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

### **Practical Issues**

**11.66** In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.

**11.67** Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

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## Wheelchair User Housing

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- 11.68** The household survey collected some information about wheelchair users (in terms of estimated numbers). However, this assessment has sought to project forward a need from such households and has drawn on a range of secondary sources to assist with this. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) which provides a range of relevant data, but often for different time periods. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them 'visitable' for wheelchair users and data about wheelchair users by tenure.
- 11.69** The analysis below sets out estimates of the number of wheelchair users in the City; this has been based on estimating prevalence rates from the 2011-12 EHS (Annex Table 6.11) combined with Census data. At the time, the EHS showed there were 184,000 households with a wheelchair user and the oldest person in the household was aged under 60; the 2011 Census showed around 41.2 million people aged under 60 and therefore a base prevalence rate of 0.004 has been calculated for this group – essentially for every 1,000 people aged under 60 there are around 4 wheelchair user households. The table below shows data for a full range of age groups; it should be noted that whilst the prevalence rates mix households and population they will provide a reasonable estimate of the number of wheelchair user households.

### Baseline prevalence rates by age used to estimate wheelchair user households – England

	Number of wheelchair user households	Household population	Prevalence (per 1,000 population)
Under 60 years	184,000	40,562,000	5
60 - 74 years	205,000	7,668,000	27
75 - 84 years	191,000	2,832,000	68
85 years or over	146,000	997,000	146

Source: Derived from EHS (2011-12) and 2011 Census

- 11.70** The analysis also considers the relative health of the population of Birmingham. For this, data has been taken from the 2011 Census for the household population with 'day to day activities limited a lot' by their disability. The table below shows this information by age in Birmingham and England, and also shows the adjustment made to reflect differences in health between the areas. Due to the age bands used in the Census, there has been some degree of adjustment for the under 60 and 60-74 age groups. The data shows higher levels of disability for all age groups in Birmingham, pointing to a slightly higher than average proportion of wheelchair user households.

**Table 11.10 Proportion of people with day to day activities limited a lot (by age) – 2011 – Birmingham**

	% of age group with day to day activities limited a lot		Birmingham as % of England	Prevalence rate (per 1,000 population)
	Birmingham	England		
Under 60 years	4.9%	4.2%	118.9%	5
60-74 years	19.4%	13.9%	139.1%	37
75-84 years	36.7%	29.1%	126.2%	85
85 years or over	58.8%	52.3%	112.4%	164

Source: 2011 Census

**11.71** The local prevalence rate data can be brought together with information about the population age structure and how this is likely to change moving forward. The data estimates a total of 17,000 wheelchair user households in 2020, and that this will rise to 21,100 by 2040 (an increase of 4,100). For reference, the survey data does estimate a slightly higher number of households (as of 2021) who are wheelchair users (21,500).

**Table 11.11 Estimated number of wheelchair user households (2020-40) – Birmingham**

	Prevalence rate (per 1,000 population)	Household population 2020	Household population 2040	Wheelchair user households (2020)	Wheelchair user households (2040)
Under 60 years	5	924,713	993,957	4,985	5,359
60 - 74 years	37	126,209	151,951	4,689	5,645
75 - 84 years	85	48,111	66,532	4,101	5,671
85 years or over	164	19,621	27,077	3,225	4,451
<b>TOTAL</b>		<b>1,118,654</b>	<b>1,239,518</b>	<b>17,001</b>	<b>21,126</b>

Source: Derived from a range of sources

**11.72** The finding of an estimated current number of wheelchair user households does not indicate how many homes might be need for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully ‘visitable’ – this is around 25% of wheelchair user households. Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for 8,300 additional wheelchair user homes in the 2020-40 period – this equates to 10% of all housing need based on the demographic scenario (as set out in the table below).

**Table 11.12 Estimated need for wheelchair user homes, 2020-40**

	Current need	Projected need (2020-40)	Total current and future need	Housing need (2020-40) <sup>22</sup>	% of Housing Need
Birmingham	4,177	4,126	8,303	86,525	9.6%

Source: Derived from a range of sources

- 11.73** Furthermore, information in the EHS (for 2017/18) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users, compared with 2.7% of market households (owner-occupiers and private renters). Applying these national figures to the demographic change and need (as shown above) it is possible to estimate the potential need by tenure, as shown in the table below. This shows a need for around 8% of market homes to be M4(3) along with 20% of affordable.

**Table 11.13 Estimated need for wheelchair user homes by tenure, 2020-40**

	Market	Affordable
Birmingham	8%	20%

Source: Derived from demographic projections and EHS prevalence rates

- 11.74** To meet the identified need, the Council could seek a proportion (maybe up to 10%) of all new market homes to be M4(3) compliant and potentially around a quarter in the affordable sector. These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.
- 11.75** As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).
- 11.76** It is worth noting that the Government is currently consulting on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds<sup>23</sup>.
- 11.77** One of the policy options tabled in this document is to remove M4(1) altogether, so that all new homes will have to at least have the accessible and adaptable features of an M4(2) home. M4(3) would apply where there is a local planning policy in place in which a need has been identified and

<sup>22</sup> Based on a previously derived demographic based need for 4,326 dwellings per annum (scenario 2)

<sup>23</sup> Raising accessibility standards for new homes, a consultation paper, page 10



evidenced. This is consistent with the evidence presented in this report, although the trade-off identified in the consultation paper between viability and the need to deliver sufficient numbers of market homes to meet general housing needs is unavoidable.

- 11.78** The viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.

**Table 11.14 Access Cost Summary**

	1-Bed Apartment	2-Bed Apartment	2-Bed Terrace	3-Bed Semi Detached	4-Bed Semi-Detached
M4(2)	£940	£907	£523	£521	£520
M4(3)(A) – Adaptable	£7,607	£7,891	£9,754	£10,307	£10,568
M4(3)(B) – Accessible	£7,764	£8,048	£22,238	£22,791	£23,052

Source: EC Harris, 2014

- 11.79** However, local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.
- 11.80** A further option for the Council would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or 1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

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### *The Needs of Older Persons & Those with Disabilities: Key Messages*

*A range of data sources and statistics have been accessed to consider the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are taken together as there is a clear link between age and disability. The analysis responds to Planning Practice Guidance on Housing for Older and Disabled People published by Government in June 2019 and includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).*

*The data shows in general that Birmingham has a younger age structure, but higher levels of disability compared with the national average. The older person population is projected to increase notably in the future and an ageing population means that the number of people with disabilities is likely to increase substantially. Key findings for the 2020-40 period include:*

- A 32% increase in the population aged 65+ (potentially accounting for 39% of total population growth);*
- A 35% increase in the number of people aged 65+ with dementia and a 33% increase in those aged 65+ with mobility problems;*
- A need for around 1,600 housing units with support (sheltered/retirement housing) – split between market and affordable housing;*
- A need for around 2,600 additional housing units with care (e.g. extra-care) – focussed on the affordable sector;*
- A need for additional residential and nursing care bedspaces; and*
- a need for around 8,300 dwellings to be for wheelchair users (meeting technical standard M4(3)).*

*This would suggest that there is a clear need to increase the supply of accessible and adaptable dwellings and wheelchair user dwellings as well as providing specific provision of older persons housing. Given the evidence, the Council could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards (which are similar to the Lifetime Homes Standards) and 10%-15% of homes meeting M4(3) – wheelchair user dwellings (a higher proportion in the affordable sector).*

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*Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.*

*The Council should also consider if a different approach is prudent for market housing and affordable homes, recognising that Registered Providers may already build to higher standards, and that households in the affordable sector are more likely to have some form of disability.*

*In seeking M4(2) compliant homes, the Council should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.*

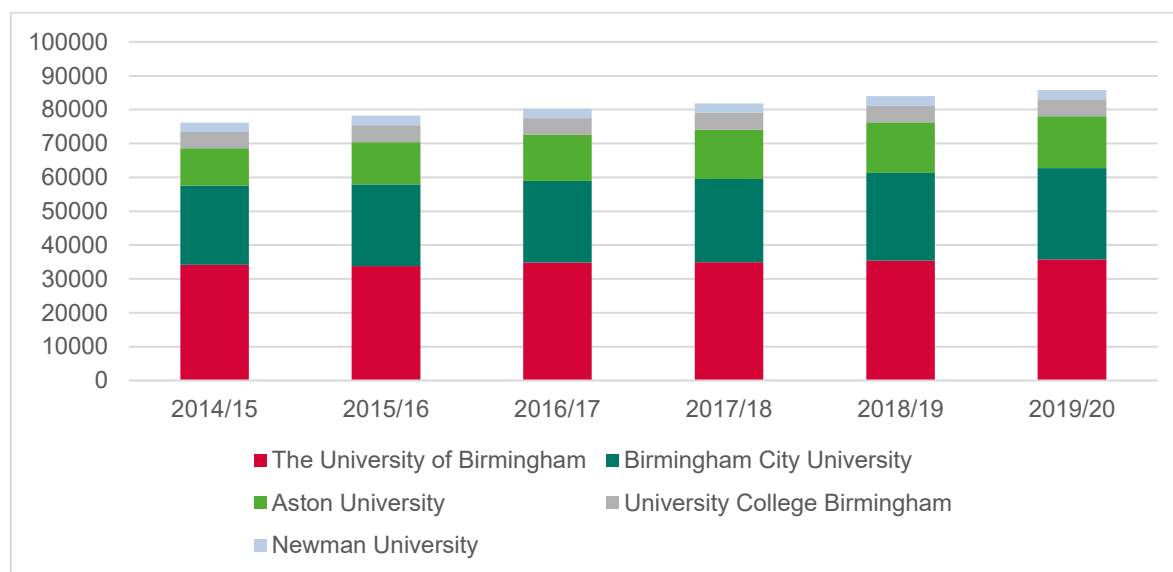
*In framing policies for the provision of specialist older persons accommodation, the Council will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of any individual development being mixed tenure given the way care and support services are paid for.*

## 12. OTHER SPECIFIC GROUPS

### Students

- 12.1** There are five major higher education providers in the study area, these are: The University of Birmingham; Aston University, University College Birmingham, Birmingham City University and Newman University College. We have examined the profile of students at each of these alongside their aspirations for growth.
- 12.2** There are also other providers of higher education such as South and City College and the BMet colleges. These institutions typically focus on further education, as such, there is negligible impact on the housing market as most students still live at home. They also do not feature in the information published by the Higher Education Statistics Authority (HESA) which is relied on below.
- 12.3** In total there were 85,800 students studying in the City's five universities. As illustrated in the figure below this was approximately 9,600 more students than in 2014-15. The majority of this growth took place at Aston University (+4,315 students) and Birmingham City University (+3,595 students).

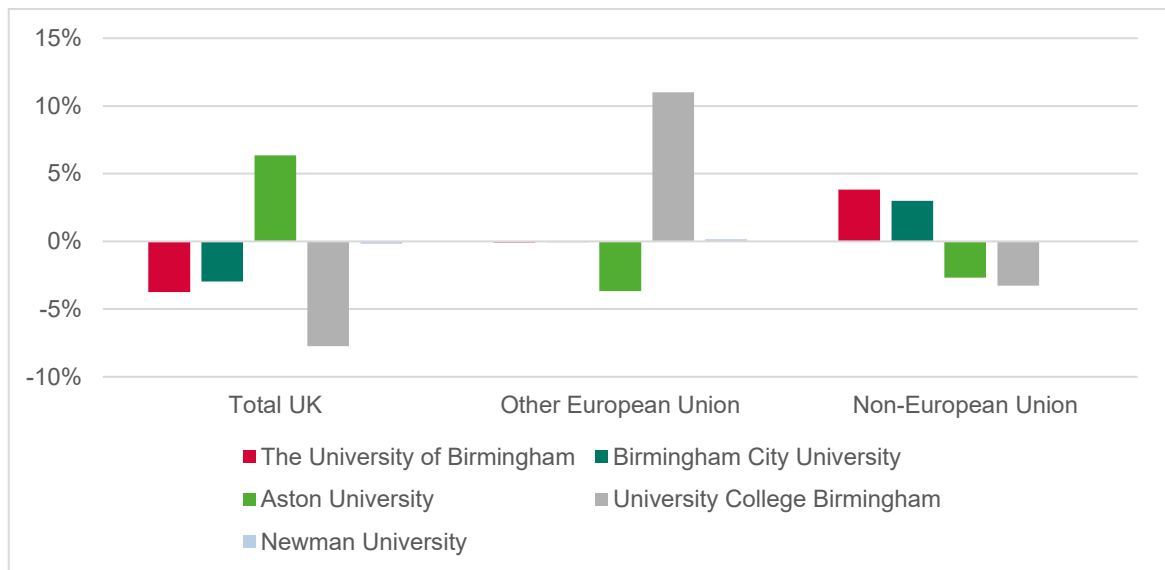
### Students at Universities in Birmingham



Source: Higher Education Statistics Authority, 2020

- 12.4** There has also been a significant shift in the origin of the City's students with a move away from domestic students (-2%) towards non-EU students (+2%). As illustrated below, this was particularly the case for the University of Birmingham and Birmingham City University.
- 12.5** However, this pattern was not seen across all institutions with University College Birmingham reducing domestic numbers but increasing other EU students. In contrast, Aston University increased the percentage of domestic students at the expense of EU and non-EU international students.

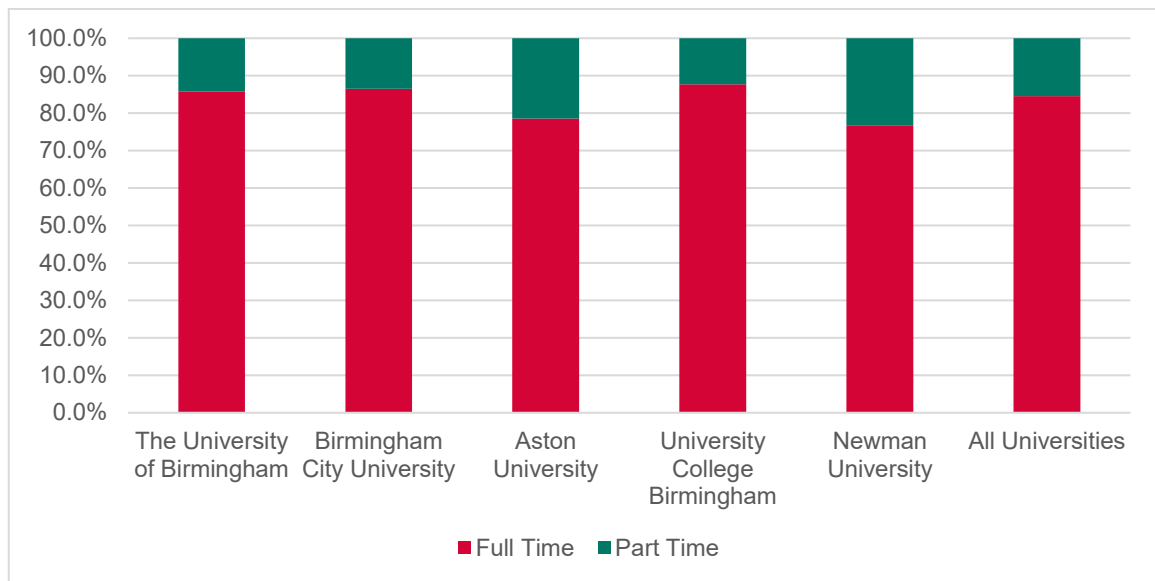
**Table 12.1 Change in Domicile 2014/15-2019/20**



Source: Higher Education Statistics Authority, 2020

- 12.6** That said, the absolute number of all student domiciles increased between 2014/15 and 2019/20. The largest absolute growth was in domestic students although in percentage terms this was only a 10% increase compared to the 26% increase in Non-EU students.
- 12.7** Financially it is more lucrative for the universities to attract non-EU students and historically this has been in the main Chinese and Indian students. At a national level the number of Chinese students has fallen as a result of the pandemic while the Indian market has strengthened on the basis of increased numbers of post-stud work visas.
- 12.8** Across all five universities 84.5% of students are full time and 15.5% are part-time although this varies from 76.7% full-time students at Newman University to 87.7% at the University College Birmingham. This is important as part-time students are more likely to be in employment, live locally and therefore have less need for student housing.

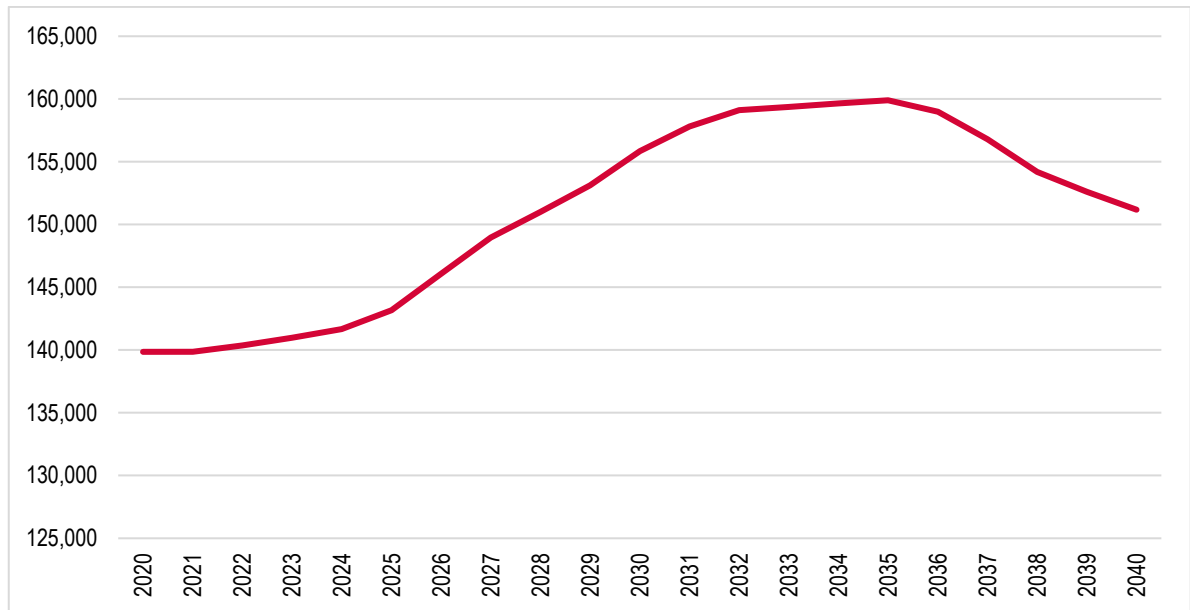
**Table 12.2 Students by Mode of Study and University (2019/20)**



Source: HESA, 2021

- 12.9** There has been a notable shift in the number of full-time students since 2014/15 when this mode of study only equated to 80.1% of all students in the City. This reflects a reduction in funding from employers for part-time study.
- 12.10** The analysis below looks at the position in each of the Universities in the City. However, due to funding cycles the Universities typically only plan ahead five years. It is therefore difficult to draw any longer term analysis from these discussions.
- 12.11** As an indication of the potential growth in students the figure below shows how the ‘student-age’ population is projected to change in the period from 2020 to 2040. This is based on the population aged 18-24 and uses the Demographic Assessment - Scenario 2 as its base.
- 12.12** Overall, the analysis shows the number of people aged 18-24 rising quite notably from 2020 to about 2032 – rising from 139,900 to around 159,100; the number of people in this age group then remains fairly constant until about 2035 when it starts to decline; by 2040, the number of people aged 18-24 is projected to stand at 151,200. This is an increase of around 11,300 people.

**Table 12.3** Projected change in number of people aged 18-24



Source: Demographic Projections

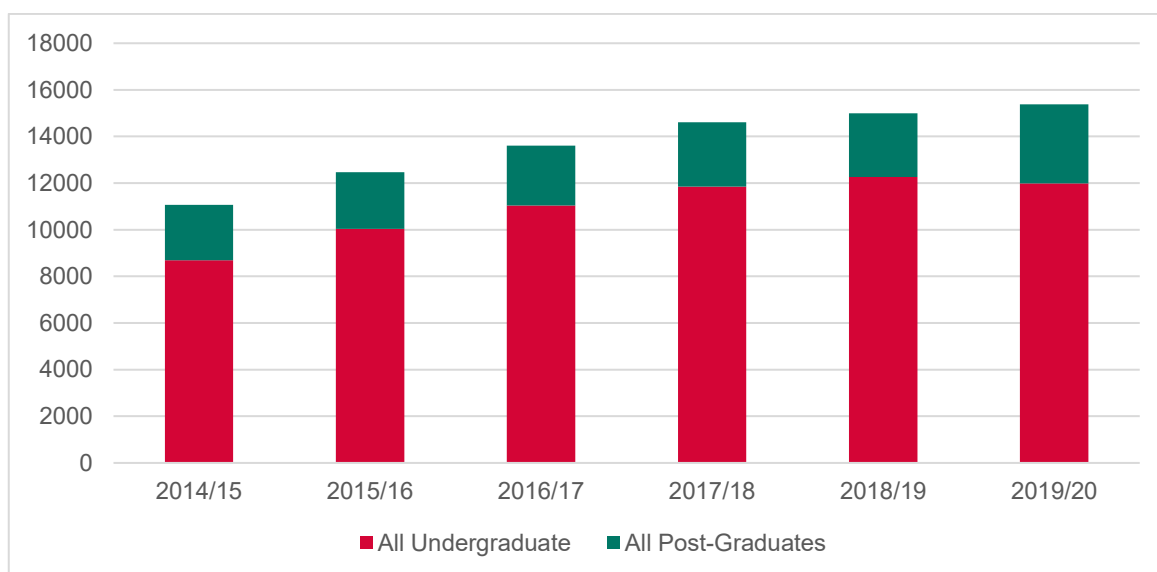
**12.13** However, not all of this age group will go to University and not all will go to University in Birmingham. Although this does include migration to and from the City for University. It is also the case that the government is supporting a shift to tertiary education and apprenticeships therefore the overall percentage of people in these age groups that are at university may well fall.

### **Aston University**

**12.14** As of the 2019-20 Academic Year Aston University had 15,385 students making it the third largest higher education establishment in the City. The University has undergone a strong period of growth equating to 39% between 2014-15 and 2019-20 when there were 11,070 students on the roll.

**12.15** As illustrated in the figure below the University has increased both undergraduates and postgraduates. Of the 2019/2020 student intake 78% are Undergraduates and 22% are Postgraduates.

**Table 12.4 Level of Study – Aston University**



Source: Higher Education Statistics Authority, 2020

- 12.16** The University does not own any student accommodation, however, they do have an annual nominations agreement with UNITE Student Accommodation. Currently this agreement provides 1,100 rooms for first years and Postgraduates and adapted accommodation for students with disabilities.
- 12.17** Most other students live in other private purpose-built student accommodation within the city centre close to the university's main campus – approximately 1/3 of students originate within 25 miles of the University but this has no bearing on whether they stay in student accommodation or not, some stay at home but they do not believe this is a large proportion.
- 12.18** The university plans on 5 year rolling basis. Currently they plan to keep Undergraduate numbers steady with incremental growth in Postgrad taught students. Degree apprenticeship students are a different category in regard to accommodation as are mature learners they usually live at home.
- 12.19** To give an indication of the scale of growth, this year 80 UNITE rooms were allocated to postgrad students, it is likely that next year they will be seeking 90 and 100 the year after. (This is a growth of around 12% per annum which if applied to 3,000 post grad students (20% of 15,000) would be an additional 736 students in two years.)
- 12.20** Before covid many Postgrad students came from overseas, the expansion of online provision as part of the reaction to Covid has enabled the university to expand. This has been particularly successful in tapping into the Canadian Postgrad market. As such Postgrad growth may not have any impact on accommodation within the city at all.

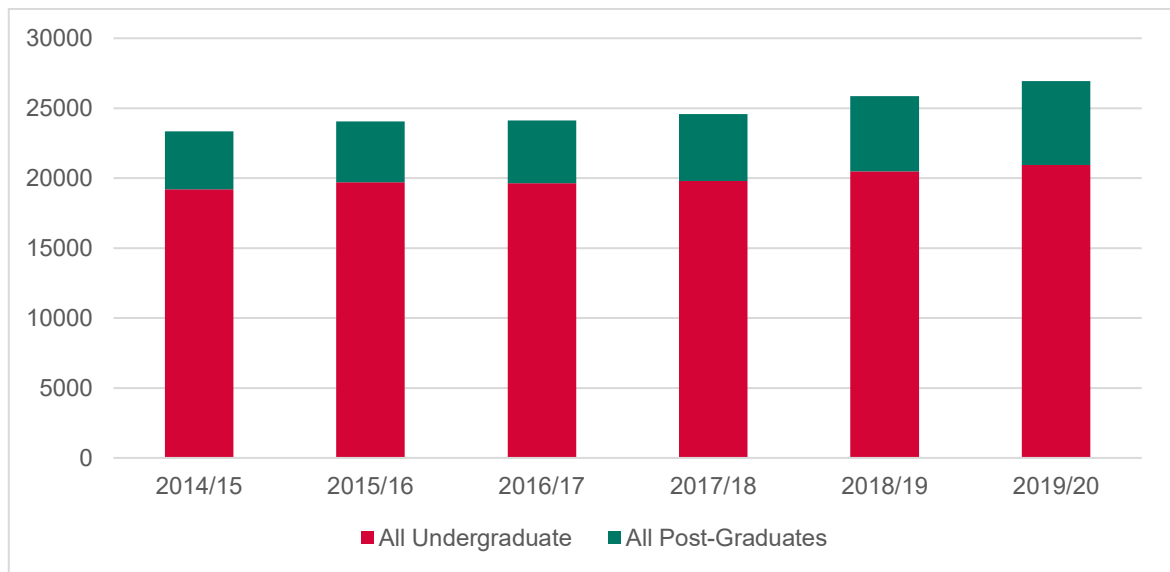


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- 12.21** The decision is made annually on whether to increase the nomination agreement with UNITE. Currently it is expected nomination will remain the same for under-graduates, next year, however, this may be different.
- 12.22** Recently the nomination agreement with UNITE has decreased as a result of Brexit, loss of Erasmus (which has one year left) and other EU students. Those who are not allocated rooms tend to find other purpose-built accommodation within the city centre.
- 12.23** The university are hoping to grow the number of overseas students. Brexit has resulted in applications from the EU plummeting, this has been replaced by increased numbers of domestic students which the university would like to rebalance with greater numbers of international students.
- 12.24** There are very few tensions with the local communities as most accommodation is in the city centre and therefore surrounded by businesses and other student accommodation.
- 12.25** There are concerns with crime as the high concentration of students in certain areas mean that these areas are targeted (drugs, street crime). The university work closely with the police and this has reduced some of these issues.
- 12.26** As the PBSA is relatively new there are few known issues with the quality of the stock. On the cheaper end of the market rooms are exactly what you pay for but, generally all accommodation is of a fairly good standard.
- 12.27** Affordability is a concern to the University, for many students' maintenance loans do not cover the cost of rent which has a huge impact, the university provides support to struggling students through hardship funds.
- 12.28** Rent within PBSA is estimated at £6,000 pa average with bills included. Other facilities (gyms etc.) vary hugely depending on the provider of the accommodation

### **Birmingham City University**

- 12.29** As of the 2019-20 Academic Year Birmingham City University had 26,930 students making it the second largest higher education establishment in the City. The University has undergone a strong period of growth equating to 15% between 2014-15 and 2019-20 when there were 23,335 students on the roll.
- 12.30** As illustrated in the figure below the University has increased both undergraduates and postgraduates. Of the 2019/2020 student intake 78% are Undergraduates and 22% are Postgraduates.

**Table 12.5 Level of Study – Birmingham City University**



Source: Higher Education Statistics Authority, 2020

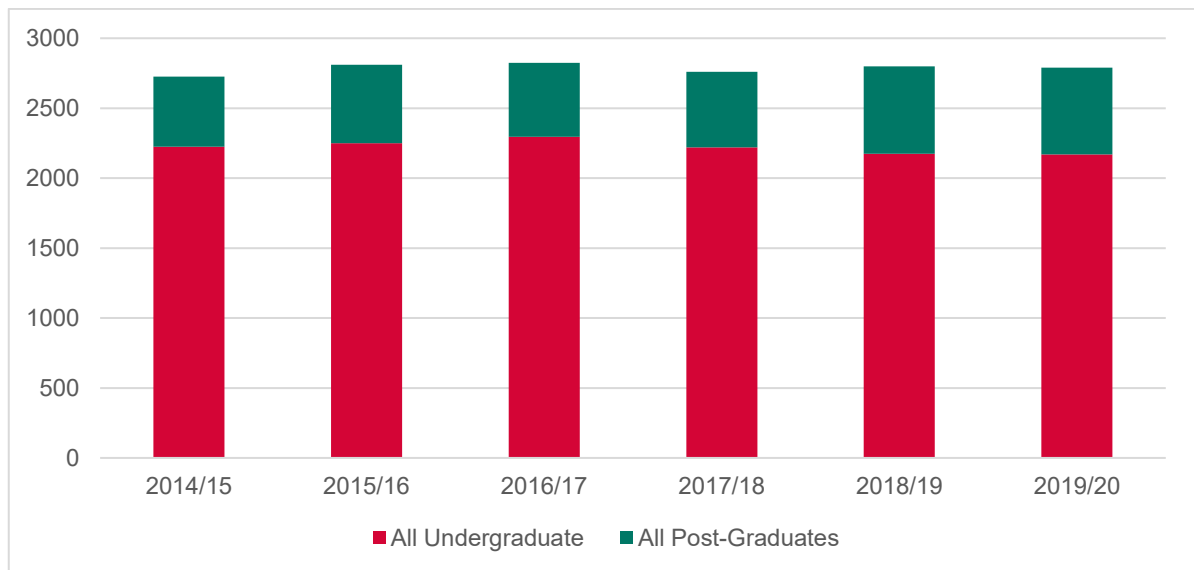
**12.31** Birmingham City University have not provided any comment on their plans or issues around housing their students. However, they previously indicated to the Council that student numbers will remain fairly static but they were in the process of re-assessing demand from local students.

#### **Newman University**

**12.32** As of the 2019-20 Academic Year Newman University had 2,795 students making it the smallest higher education establishment in the City. The University has undergone a period of modest growth equating to 3% between 2014-15 and 2019-20 when there were 2,725 students on the roll although prior to this there was a rapid period of growth.

**12.33** As illustrated in the figure below the University has decreased the number of undergraduates and increased the number of postgraduates. Of the 2019/2020 student intake 78% are Undergraduates and 22% are Postgraduates.

**Table 12.6** Level of Study – Newman University



Source: Higher Education Statistics Authority, 2020

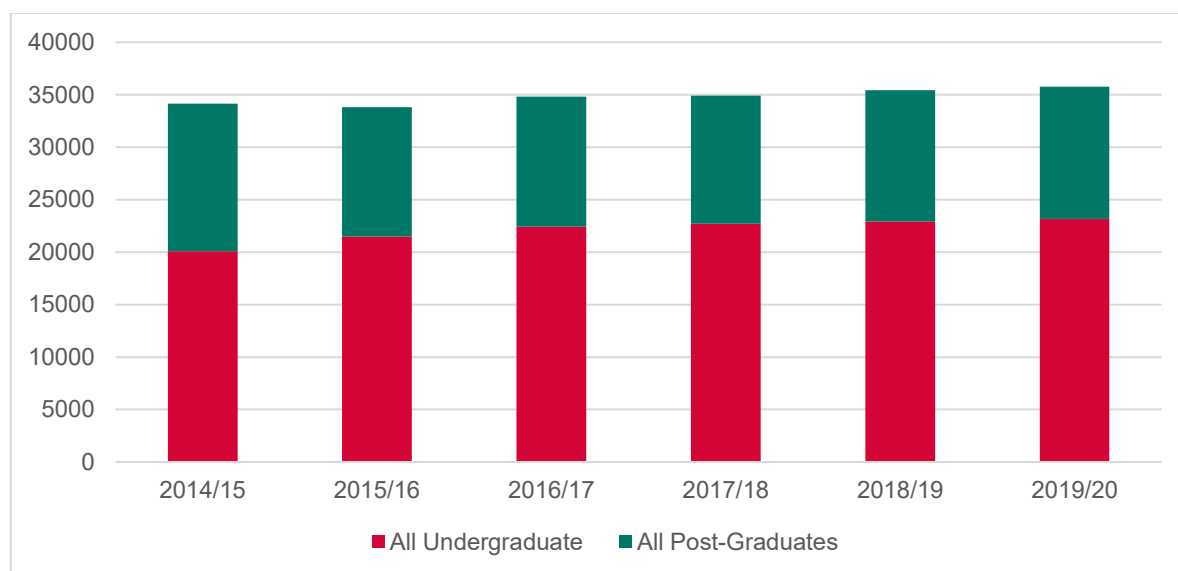
- 12.34** The University is located Bartley Green which has undergone substantial investment since 2016. In total 150 FTE students live on campus.
- 12.35** The University has plans to increase the overall student roll by 6% each year for the next five years. This would take the total number of students to 3,740 and would be an increase of both undergraduate and post-graduate students as well as changing the profile of students with new subjects coming on line.
- 12.36** The University intends to publish an estates strategy towards the end of 2022 which will detail how this growth in students will be accommodation. This will also detail refurbishment of the older accommodation blocks. The University have noted a falling demand for housing in HMO accommodation. But very few of their students use this in any case.
- 12.37** Neither the pandemic nor Brexit has impacted the University with the latter due to them having very few international students.
- 12.38** There are only minor issues with the local community in Bartley Green and this normally involves parking.

### **The University of Birmingham**

- 12.39** As of the 2019-20 Academic Year the University of Birmingham had 35,760 students making it the largest higher education establishment in the City. The University has undergone a modest period of growth equating to 5% between 2014-15 and 2019-20 when there were 34,160 students on the roll. The University has estimated that 38,000 students were studying at the University in 2021/22.

**12.40** As illustrated in the figure below the University has increased the number of undergraduates and decreased the number of postgraduates. Of the 2019/2020 student intake 65% are Undergraduates and 35% are Postgraduates.

**Table 12.7** Level of Study – The University of Birmingham



Source: Higher Education Statistics Authority, 2020

**12.41** Accommodation at The University of Birmingham is a mix of privately-owned Partner Accommodation and University owned accommodation across 3 'villages'. In addition the University have commuter students, and students who live in HMO housing in the Selly Oak, Harborne, Edgbaston areas.

**12.42** The University has no plans to dramatically increase student numbers for the UK campus or change the profile of students. However, the University was granted planning permission to expand its accommodation portfolio in the Pritchatts Park village which will bring 496 new beds for Undergraduate students. Work starts in Autumn 2021. The Pritchatts Park site will be operated under a DBFO scheme.

**12.43** In relation to Brexit, the University has yet to see what the impact will be definitively. This is because the pandemic shifted activity to anything remotely 'normal' which would allow an accurate gauge of the impact of Brexit.

**12.44** The pandemic has also led the University to over recruit for this academic year. Other Russell groups Universities have blamed grade-inflation from the lack of exams on this, in effect they can be less fussy on who they can teach.

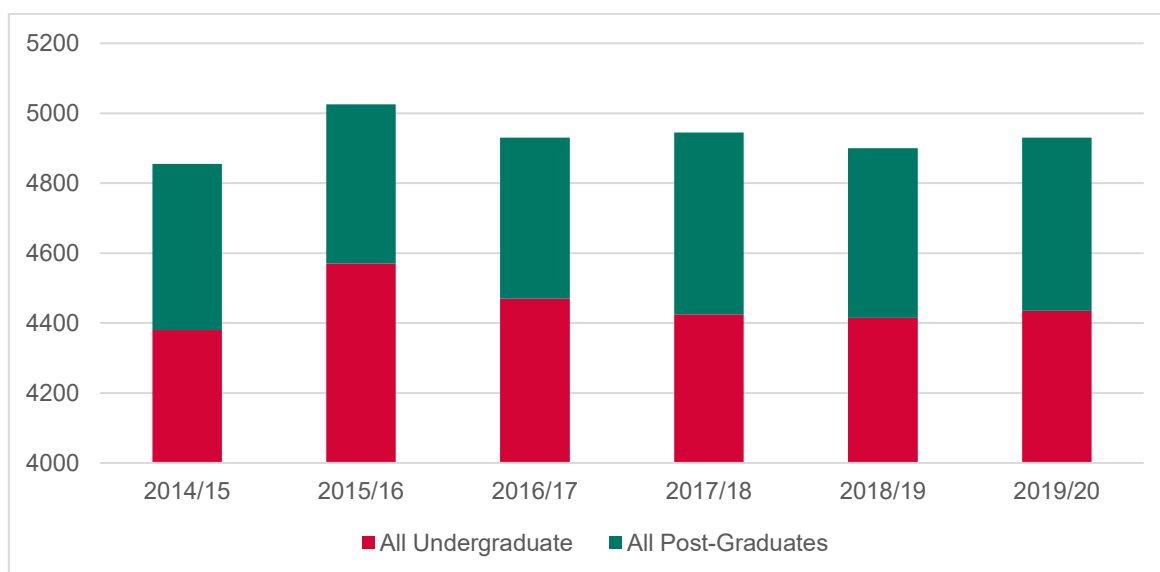
**12.45** The trend in PBSA is that students want modern and higher spec accommodation and as a result it is being built to a higher standard with lots of additional extras e.g. gyms, yoga studios, social space, free tea and coffee, cinemas etc.

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- 12.46** There are similar trends in the general housing stock/HMOs with students moving towards wanting something cleaner, modern and safe. Students are becoming more aware of their rights as tenants and so are less likely to accept substandard accommodation. Although there are significant issues in many of the student housing around renovations, security, dampness etc.
- 12.47** The demand for HMOs does not seem to be falling despite the increased provision of PBSA. Although there are anecdotal tales of the emergence of high density PBSA leaving voids in the HMO property landscape.
- 12.48** The University has seen students from other universities come to live in Selly Oak, as it is considered the 'student' area. This is only fuelling issues around the policing of anti-social behaviour and community cohesion in general.
- 12.49** Furthermore, the University believes that voids in HMO properties are being filled by registered providers whose clients bring a whole different set of issues around community cohesion, antisocial behaviour, and impact on the local infrastructure.
- 12.50** There is also an issue of over population in the area, with the sheer density of numbers placing unsustainable pressure on local services such as waste which has a significant detrimental effect on living conditions and the local area in general.
- 12.51** The University recognise that this a complex equation to balance and believes this is something that needs to be considered by the council as a whole as Selly Oak is becoming more saturated than ever.
- 12.52** Work needs to be done to build in more capacity around these areas in order be able to handle the impact of almost double the number of people occupying housing stock than it was initially intended/built for. While the University are managing the area and the issues that arise they have no control over which students live there.

#### **University College Birmingham**

- 12.53** As of the 2019-20 Academic Year University College Birmingham had 4,930 higher education students making it the second smallest higher education establishment in the City. In addition, the college has a further 2,000 further education students. The University College has undergone a low period of growth equating to 2% between 2014-15 and 2019-20 when there were 4,855 students on the roll.
- 12.54** As illustrated in the figure below the University has increased both undergraduates and postgraduates. Of the 2019/2020 student intake 90% are Undergraduates and 10% are Postgraduates.

**Table 12.8** Level of Study –University College Birmingham



Source: Higher Education Statistics Authority, 2020

- 12.55** Of the UK based students, the student roll is very local, with close to the majority (40%) living in the parental home. Pre-covid (2019) around 20% were accommodated by the University. The remaining 40% were split between PBSA and the general housing stock.
- 12.56** The PBSA supply tends to be within the City Centre and are split between the different universities. Those in the general housing stock tend to live further out i.e. in Edgbaston or within 20mins bus journey.
- 12.57** The students accommodate a range of premises some are wanting high end accommodation with a range of facilities while there are others wanting the cheapest accommodation.
- 12.58** The University has plans to increase the number of higher education students to 6,500 over the next five years. This is likely to mean a great focus on post-graduates with an anticipated split of 80% Undergrads and 20% Post-Grads.
- 12.59** Historically, the University has had one of the highest proportions of EU students (30%) with 7% other international. They are expecting this to decline to 10% EU (decline) with other international students expected to increase to 15%. They also expect an increase in domestic students and due to the pandemic they expect this to continue to be quite local students.
- 12.60** While the University College are considering providing additional accommodation, they do not have any concrete plans. There is funding available if they required additional accommodation. If there was demand, but at this moment there is a level of vacancy within the existing stock.

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- 12.61** The current accommodation Cameron Hall is not being used. This is a tired 1960s accommodation block which they plan to refurbish or potentially demolish and rebuild. This would add another 200-300 rooms and would likely be in the next three to five years, although they won't make a decision for another year, once things are more certain.
- 12.62** Their other accommodation, the Maltings, is not in an immediate need to refurbish but one part of the site is a little older than the rest. This would be a phased refurbishment but unlikely to yield any additional units.
- 12.63** Anecdotally, there are not as many students wanting accommodation with more living in their parental home. This may have been impacted by the pandemic as students want to live as freely as possible and the parental home is less restricting if they have to quarantine. As a result, this may only be a temporary trend.
- 12.64** The University have also been made aware of a rise in anti-social behaviour outside of their own accommodation, which is gated. This includes assaults and muggings and on face value it seems like an increasingly dangerous place to be housing students. For example, they have advised student not to use the canal as a route into the City Centre at night.
- 12.65** The quality of the student housing is acceptable and it was noted that people get what they pay for. There are occasional examples of bad landlords but not substantial. International students are particularly vulnerable as they want to live in the cheapest accommodation and they are at risk of unscrupulous landlords and in rare occasions getting involved in modern slavery. They are also unfamiliar with their rights and can tolerate things that they shouldn't.
- 12.66** Costs are a challenge, but the University only tend to find out about this when the students run out of money. This was heightened during lockdown as students couldn't work or couldn't find work. The University are flexible with this as they are not for profit.
- 12.67** The University owned halls of residence are let for £126 a week for an en-suite room, however, shared halls are slightly cheaper at £115 per week. Typically they are on a 42 week contract and they can stay over the summer although only around 10% choose to do so.

### **Student Housing Need and Delivery**

- 12.68** As per the Housing Delivery Test Measurement Rulebook<sup>24</sup> student housing development can contribute towards meeting the housing need in a given area. Paragraph 10 of the Rulebook states:

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<sup>24</sup> <https://www.gov.uk/government/publications/housing-delivery-test-measurement-rule-book>

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*“The national average number of students in student only households is 2.5. This has been calculated by dividing the total number of students living in student only households by the total number of student only households in England.”*

**12.69** Therefore, for every 2.5 bedspaces built in Purpose Built Student Accommodation then the housing supply figure can be increased by one unit. This ratio may change with the introduction of new data from the 2021 census.

**12.70** The Council had previously undertaken research the supply and demand of student accommodation in the City and reported this to planning committee. The report noted the following trends between 2008/9 and 2018/19:

- University-maintained accommodation has decreased by over 11%. Due in part by Aston University’s stock transfer and the loss of BCU’s Perry Barr campus;
- A 328% increase in the number of students living in private sector PBSA;
- An 88% increase in students living at their parental/ guardian home;
- Students living in their own home have increased by 54%.
- Students living in HMO/ other rented accommodation have fluctuated.

**12.71** In summary, while the total number of full-time students has grown by around 10%, the number of students requiring accommodation has only increased by 4.2% while students not requiring accommodation has risen by 20%. The report noted that of the total number of full-time students:

- 25% lived in Purpose Built Student Accommodation (PBSA);
- 27% in HMOS/ other rented accommodation;
- 29% lived with parents/ guardians;
- 14% lived in their own home;
- 2% were not in attendance.

**12.72** Excluding those 48% who did not require accommodation because they live with parents/ guardians or in their own home or were not in attendance at the university, the overall demand for accommodation was 38,401 bed spaces in 2018/19. If this split (52%) was applied to the latest HESA figures of 72,500 FT students, then this would decrease to 37,700 bedspaces.

**12.73** By comparison, the latest estimated supply position (January 2021) is 22,922 existing available bed spaces in purpose built and converted student accommodation in the city. A further 2,444 bed spaces were under construction and another 2,087 have planning permission not yet started. If all permissions were implemented, there would be total supply of 26,407 bed spaces.



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- 12.74** The majority of existing and pipeline PBSA is located in the City Centre (51%) with other major concentrations in Selly Oak (38%), and smaller clusters in Edgbaston (9%) and Bartley Green. On average PBSA runs at 95% occupancy although during the pandemic this fell to 69%.
- 12.75** This supply would mean that of the 37,700 FT students requiring accommodation around 11,293 would live in the general housing stock. Although there is a further supply of potentially up to 3,348 student bedspaces which have yet to be granted permission. This would still leave a considerable deficit of around 7,945 bedspaces.
- 12.76** The report recognises that there is a supply of HMO accommodation which meets this demand/deficit even with predicted growth in student numbers, but that these HMOs will not have “the range of facilities provided in PBSA and will be subject to variation in quality and fluctuation in supply and availability.” As mentioned previously some students will not want to or be able to afford to live in PBSA and thus there will always be demand for HMO accommodation.
- 12.77** The report also notes that the majority of the deficit of PBSA is in Selly Oak around the main campus of the University of Birmingham. The area has responded with additional and pipeline supply of PBSA which has drawn students away from the considerable supply of HMOs in the area.
- 12.78** While there is still significant demand for HMOs this is likely to be slowing from students. As noted by the University of Birmingham this has led to some issues with HMO voids being occupied by people that require supported accommodation but cannot be accommodated due to a lack of supply (supported exempt housing). Some caution should therefore be made with regard to additional supply of PBSA in the area or ensure that excepted housing is managed better.
- 12.79** The report then goes on to acknowledged that any new PBSA would primarily be to:
- Serve a growth in student numbers,
  - Rectify a mismatch in the type of accommodation which is available and that which is needed,
  - Respond to changing student preferences, or
  - Replace existing PBSA accommodation
- 12.80** The report then makes a series of recommendations which any future applicants of PBSA in excess of 1,000 sqm (including Change of Use) will need to comply with. These are:

*“Applicants will be expected to demonstrate to the satisfaction of the City Council that there is a need for the accommodation proposed at the time the application is submitted. In particular, applicants should:*

- 
- *Identify which university the accommodation is intended to serve and whether a university or institution would have exclusive nomination rights over the development and if so for what period.*
  - *Demonstrate that there is unmet need for the type, size and format of accommodation proposed.*
  - *State what type of accommodation the anticipated occupants of the accommodation are likely to be drawn from if the need does not arise from an increase in student numbers.*

*In addressing need, consideration should be given to the local area around the university to be served. Evidence of city wide need alone will not be sufficient. The evidence should address specific subsets of the student population, not the overall student population.”*

**12.81** The recommendations also note that:

*“When needs can be met by a variety of different types or sizes of accommodation, such as that which is suitable for groups of friends to live together, for older students including those who have families and for research students, proposals should incorporate a variety of suitable types and sizes of accommodation. Proposals which offer a greater diversity of accommodation, such as student houses, are encouraged.*

*Where the accommodation is intended to draw students from shared HMO accommodation the evidence should include information on comparable rent levels.”*

**12.82** The Council also require accommodation to be in an accessible location and be supported by a management and neighbourhood impact statement and be of an appropriate scale for the area. The accommodation should be designed to create a positive living environment

**12.83** Given the information set out herein there is no justification to diverge from these findings and the Council should be supportive of developments which will meet the growing demand and meet the above criteria including a demonstration of no or very low vacancy rates in existing stock, increasing rents and known growth in students numbers and that the developer has an agreement with a university to place students in such accommodation).

### **Gypsies and Travellers**

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**12.84** Paragraph 62 of the NPPF requires local authorities to assess the need for different including travellers. This is an important issue as one in every 200 people are Gypsy, Roma and Traveller people and around one quarter live in a caravan or other mobile structure.

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- 12.85** The latest evidence<sup>25</sup> in relation to the housing needs of Gypsies and Travellers in Birmingham was set out in the Gypsy and Traveller Accommodation Assessment (2019). The GTAA has sought to understand the accommodation needs of the Gypsy, Traveller and Travelling Showpeople population in Birmingham through a combination of desk-based research, stakeholder interviews and engagement with members of the travelling community.
- 12.86** The key findings of the report are that for those households that meet the planning definition there is a need for 19 additional pitches over the GTAA period to 2033. This is comprised of twelve households who have been living on unauthorised encampments in Birmingham and seven newly forming households. There was also a requirement for one household that does not meet the planning definition.
- 12.87** On a purely pro-rate basis the need for 19 pitches over the 14 year period to 2033 (1.35 per annum) can be increased to 26 pitches over the 19 year period to 2040 and 33 pitches over the 24 years to 2045.
- 12.88** For travelling show people there was no identified need and they indicated that capacity could increase if a storage location for their equipment could be found elsewhere. The report also establishes that there was a pipeline supply of transit schemes which more than meets the previously identified need for 10-15 pitches although this has subsequently been, in part, addressed.
- 12.89** We have spoken to the relevant Council officers to understand what has happened in the City in the last three years.
- 12.90** In 2018/19 there were 132 unauthorised encampments involving 1,369 caravans. Since that time the Council have been progressing a transit site on Proctor Street which came live in November 2019. This former car park provides fifteen secure pitches with running water a toilet block.
- 12.91** As a result of the new facilities, the number of unauthorised encampments in 2019/20 fell to 89 incidences involving 1,010 caravans of which 82 incidences were up to end of October, i.e. prior to the new site opening and then only 7 across the next five months. Numbers have remained low this year.
- 12.92** In addition, the Council were working towards opening an additional 4 to 5 pitches in Aston Brook Street. The Council brought back into use 9/10 pitches at Tameside Drive although there are legal matters to resolve before this can open.

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<sup>25</sup> [https://www.birmingham.gov.uk/downloads/file/1175/gypsy\\_and\\_traveller\\_accommodation\\_assessment\\_2019](https://www.birmingham.gov.uk/downloads/file/1175/gypsy_and_traveller_accommodation_assessment_2019)

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- 12.93** However, since Lockdown occurred in March 2020 there have been issues with moving people on from transit sites. There was also some damage to sites and residents have refused to pay. As a result, in July 2021 the site at Proctor Street site was closed.
- 12.94** Repairs are not taking place with a view to it becoming a transit site once more. The Council are also changing the management of the site which should help with community relations. The expectation is that this site and the other new sites will meet the demand for transit sites and thus reduce unauthorised encampments.
- 12.95** The Council are still working on identifying permanent pitches for later parts of the plan period. The location of these sites could address some issues raised by research<sup>26</sup> undertaken by traveller groups which shows that Travellers' sites are commonly situated in locations that are detrimental to people's health i.e. next to industrial uses of major roads.
- 12.96** In addition to this, new sites could address quality issues as it is also often the case that both public and private Traveller sites can lack basic amenities. The net result of which is that Gypsy and Traveller life expectancies is 10-25 years shorter than the general population and live around 6 less years in good health.

### **Homeless Households**

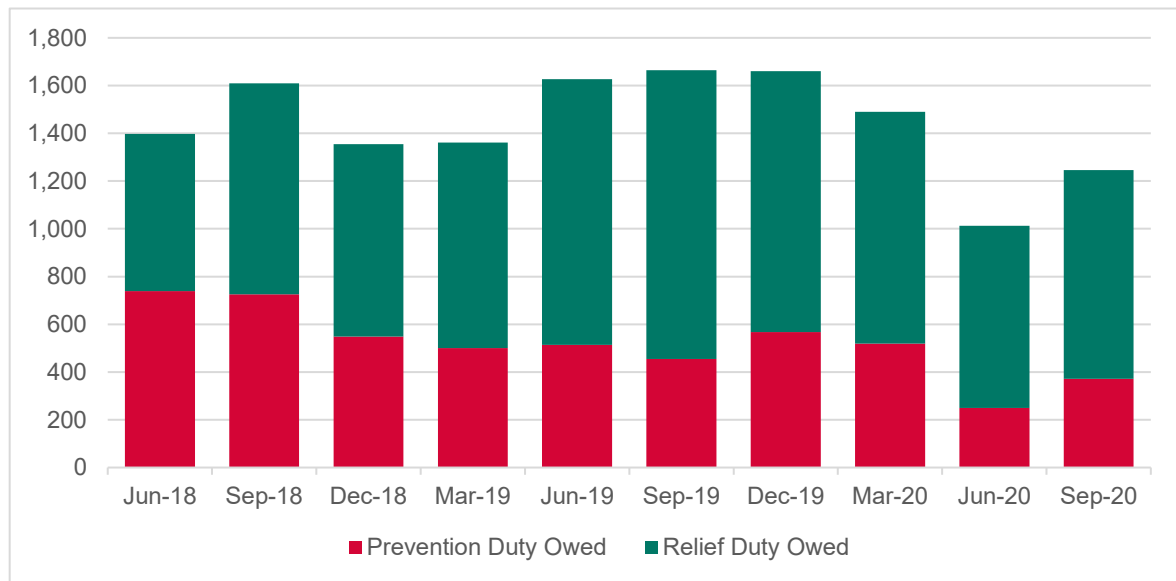
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- 12.97** In each quarter since June 2018 there have been an average of 1257 people presenting themselves as Homeless or threatened with homelessness in Birmingham. Around 64% of these required a relief duty (i.e. were actually homeless) while 36% required a prevention duty (where threatened with homelessness).

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<sup>26</sup> [https://www.gypsy-traveller.org/wp-content/uploads/2020/11/SS00-Health-inequalities\\_FINAL.pdf](https://www.gypsy-traveller.org/wp-content/uploads/2020/11/SS00-Health-inequalities_FINAL.pdf)

### Households Assessed and Duty Owed – Birmingham



Source: H-CLIC data, 2022

- 12.98** The most common reasons for people presenting themselves as homeless included: Friends and Family no longer willing or able to accommodate them (31%); end of private tenancy (18%) and domestic abuse (13%).
- 12.99** Around 29% of those coming forward for a prevention or relief duty were single males, 24% were single females, 20% were single woman with children. Around 60% were aged 25-44 while 13% were younger than 25.
- 12.100** Many of those presenting themselves to the Council as homeless also require support. Around 9% required support for a mental health problem, 9% experienced abuse, 7% required support to access education, employment or training and a further 7% required support for ill health and/or disability.
- 12.101** Rough sleeping is a small element of homelessness. It was particularly an issue in the late 1990's when around 50-60 people were rough sleeping in Birmingham on a single night. However there was a strategy to reduce numbers and provide support and accommodation by 2010 there were less than 20 people rough sleeping.
- 12.102** However, since 2010 there has been a steady increase to 2018 when in a single night 91 people and 52 people in 2019 could be seen rough sleeping. Aided by pandemic and the "everyone in" campaign the numbers fell to less than 20 again which remains the target.
- 12.103** There is enough emergency accommodation for rough sleepers in the City. The Council have been involved in specific programmes (e.g. housing first and rough sleeper accommodation programmes) to enable some of the most vulnerable single homeless to move directly into flats of their own rather than having to go via hostels. This has supported around 200 units in total in 4 years.

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**12.104** As of August 2021 there were approximately 3,800 people in temporary accommodation in the City and a further 300 placed outside of the City. The largest percentage of this (49%) is dispersed accommodation which is longer-term temporary accommodation until asylum claims have been fully determined.

**12.105** The City Housing Directorate's transformation programme includes securing more accommodation to meet homelessness demand (around £60m earmarked for that). Exempt housing in the Private Rented Sector is seen as an answer to some of the supply issues i.e. the lack of supported housing.

### **Caravan and houseboat dwelling households**

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**12.106** According to the Canals and Rivers Trust, across the West Midlands there is 520 miles of canals and around 1.75 million people live within 1km of the waterways and around 51% of the population of Birmingham live within walking distance of their local canal.

**12.107** The Association of Inland Navigation Authorities (AINA) is the industry body in Great Britain for those authorities with statutory or other legal responsibility for the management and operation of navigable inland waterways.

**12.108** They have produced a range of reports including<sup>27</sup> in 2008 a survey based report titled "Numbers of Boats on the Inland Waterways". The report recognises that "there has been a lack of definitive nationwide statistics on boat numbers, their locations, their moorings and their use." In response AINA commissioned a study to look at two of the key components of the inland waterways - the numbers and types of boats on them and the numbers of moorings available.

**12.109** Unfortunately, the data relating to canals in Birmingham was not reported but the navigation authority, British Waterways, did report for their network of 2,929 km of canals. Since that time British Waterways ceased to exist and was replaced by the Canals and Rivers Trust.

**12.110** The report for British Waterways shows that total boat numbers on their network grew by an average annual rate of just over 4% between 2002 and 2007. It also noted that the number of holiday hire boats remained stable over the period, but there was a significant expansion in trip, restaurant and community boats.

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<sup>27</sup> Numbers of Boats on the Inland Waterways

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**12.111** Overall, leisure business boat licenses nearly doubled over the five years. Within the private powered boat sector, growth was particularly strong amongst continuous cruisers and other residential boaters.

**12.112** The total number of boats on the network in 2007 was 32,604 an increase of around 7,000 since 2002. This included 29,289 powered boats, 708 unpowered boats, 1,573 trip/restaurant boats, 996 hire boats and 38 unpowered day hire boats.

**12.113** In terms of moorings the British Waterways reported that there were 24,714 moorings on their network and a further 3,100 vessels that were without a home mooring as they were in continuous use. The majority of this supply was private and 5,188 were owned by British Waterways.

**12.114** AINA also produced a further advisory report<sup>28</sup> in 2011 called the “Residential Use of Inland Waterways”. This report examined those using boats as their main residential location. The report acknowledges that “there is currently a strong demand for residential moorings but a scarce supply of suitable berths”. The report provides examples of different types of vessels or structures in ‘residential use’ including:

- Conventional vessels - These are boats that have originally been designed and built for navigation, the majority are cabin cruisers, narrow boats or wide-beam vessels e.g. barges.
- Vessels not capable of navigation - Vessels that have been modified (e.g. engines removed and/or interior altered) and vessels that are simply too large to navigate the waterway
- Floating structures not capable of navigation - Simply accommodation constructed to float on water.
- Houseboat - A static vessel or purpose-built floating structure with no form of mechanical propulsion used, or designed for use, for residential purposes.

**12.115** However, the report recognises that the term “houseboat” is sometimes used to refer to any of the other types of vessels and structures that are in residential use. The report also provides an outline of each the different types of moorings. These are:

- Long-term / home mooring / mooring base - This is a mooring which comprises the usual ‘parking place’ for a vessel, from which it may or may not go cruising. This type of mooring will often be

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<sup>28</sup> <https://aina.org.uk/wp-content/uploads/2018/04/RUIW-Feb11.pdf>

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allocated to and/or occupied by a single identifiable vessel for a long period (e.g. one year or longer).

- Residential mooring - This is a long-term/mooring base for a vessel or floating structure with planning permission and navigation authority consent for use as a person's sole or main residence. The vessel may leave the mooring from time to time to go cruising, undergo repair etc. for any period of time.
- Visitor / short-stay mooring - This type of mooring is specifically designated for boats to stop off or stay at for short periods whilst out cruising, usually for a maximum specified period.
- Casual mooring – this type of mooring occurs where boats tie up casually anywhere along the towpath or riverbank. Usually there is a general rule specifying the maximum period for casually mooring in one place (e.g. up to 14 days on waterways owned and managed by British Waterways).

**12.116** The report notes that the 2008 boaters' survey conducted by British Waterways included the question "Is your boat your main residence?" and that 18% answered yes as main or Monday-Friday residence, and extrapolating this to the (approximately) 30,000 privately licensed boats, British Waterways estimates that approximately 5,400 boats on its waterways are used for residential purposes.

**12.117** If this number increased by 4% each year as was the estimated growth in the 2002 – 2007 period, then there would be 8,991 boats used as a main residence. Extrapolating this figure further to 2040 would result in an increase to 18,994 boats used as a main residence.

**12.118** Although this is purely an extrapolation and there is no evidence to suggest how high this number actually is or will be. Furthermore, these figures are for the whole British Waterways Network which Birmingham only comprises a small but notable part of.

**12.119** The report then goes on to make a number of recommendations including:

*"Some minority household groups are the subject of planning guidance such as Circulars, and a similar approach could help to ensure that the relevant issues specific to people living afloat are appropriately addressed by local authorities in both local housing and planning policy making as well as in development control.*

*Local authorities therefore have a responsibility to make well-informed planning decisions, using all the 'tools' available to them, including this advisory document. They should consult the relevant navigation authority and take into account their statutory duties, policies and any guidelines and local*



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*plans. They should also engage with all stake-holders at an early stage to understand the range of issues.*

*More generally, planning for residential moorings is most suitably dealt with when developing waterway strategies, local area development plans or similar; these plans should consider all types of moorings (residential, leisure, commercial and visitor moorings) and make appropriate provision for them within a local strategic context.”*

**12.120** The Canal and River Trust have recently published<sup>29</sup> their annual report for the West Midlands. This noted that in 2020/21 there was record numbers of boat movements and that 7,386 boats use the canals each year. This would equate to around one quarter of the boats on the British Waterways network in the 2007.

**12.121** To illustrate the demand for moorings in the City using the Canals and River Trusts Waterside Moorings search function<sup>30</sup> showed just 1 available and 135 occupied moorings within the 10 miles of the City.

**12.122** It also noted the opening of the Port Loop and Roundhouse developments in Birmingham this year, the former of which will deliver additional moorings in the City.

### **Service Families**

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**12.123** MOD statistics report that there are 700 military personnel in Birmingham and 560 civilian personnel. The total number of personnel has been relatively stable since 2012. The majority are Army personnel although there is also an RAF and Navy/Marine presence.

**12.124** The true scale of future demand for from MOD personnel is unknown and it will depend on what the MOD will do with their facilities both here and abroad.

**12.125** Annex 2 of the NPPF identifies Military Personnel as Essential Key Workers. As such, accommodation specifically comes under the definition of affordable housing. Depending on their incomes this group will already be accounted for within the affordable housing need and will largely not be additional to it.

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<sup>29</sup> <https://canalrivertrust.org.uk/refresh/media/original/44126-west-midlands-annual-report-2020-21.pdf>

<sup>30</sup> <https://www.watersidemoorings.com/Search?DistanceMiles=0&Coordinates=55.3781%2C-3.436&tab=&Availability=availablenow&Availability=availablesoon&Availability=occupied&BerthUse=Leisure&BerthUse=Residential>

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- 12.126** The Planning Practice Guidance for First Homes also allows local authorities to set out their own criteria for accessing such housing. One such criteria could be a key worker requirement which would include service personnel. The local authority may wish to consider such criteria given the scale of the MOD service personnel in the City.
- 12.127** The most acute and pressing issues is likely to be finding accommodation for those transitioning out of the forces. First Homes could play a part in meeting this demand as it would provide a discounted route to home ownership.
- 12.128** While there are issues with homeless veterans, the scale of this need is potentially overstated. One reason for this perception is that some beggars portray themselves as veterans when often they are not. Data for both Birmingham and nationally shows that service personnel less likely to be homeless and have greater access to help.
- 12.129** The Allocation of Housing (Qualification Criteria for Armed Forces) (England) Regulations ensure that Service personnel (including bereaved spouses or civil partners) are allowed to establish a 'local connection' with the area in which they are serving or have served.
- 12.130** This means that ex-service personnel would not suffer disadvantage from any 'residence' criteria chosen by the Local Authority in their allocations policy. Furthermore, any ex-armed forces personnel with mental health issues who present themselves to the Council as homeless would be assisted as a vulnerable group and will be given priority need for housing.

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*Summary: Other Specific Groups*

*We have sought to identify the demand for additional purpose built student accommodation (PBSA) based on the growth aspirations of the Universities. This did not identify any significant growth at the Universities that is not being met with an increase in accommodation.*

*However, there is still a role for additional PBSA in releasing HMO properties for other groups including families. Any applications for such housing types should be welcomed but it should be supported by the appropriate evidence (including a demonstration of no or very low vacancy rates in existing stock, increasing rents and known growth in student numbers and that the developer has an agreement with a university to place students in such accommodation) and be in suitable locations.*

*The latest evidence in relation to the housing needs of Gypsies and Travellers identified a need for 19 additional pitches over the GTAA period to 2033. On a pro-rata basis this need would increase to 26 pitches over the 19 year period to 2040 and 33 pitches over the 24 years to 2045.*

*There is a notable service (or ex-service) personnel in the City. The Councils have a duty to ensure such households are not disadvantaged when seeking affordable housing. The Councils may also wish to consider prioritising this group for First Homes.*

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## 13. THE LINK BETWEEN HOUSING AND ECONOMIC GROWTH

**13.1** The analysis below looks at the link between housing and economic growth. This analysis can be looked at in two ways, firstly estimating what level of job growth the demographic projections might support (i.e. looking at change to the economically active population<sup>31</sup>) and secondly establishing likely future job growth and then testing what level of population growth (and hence household growth/housing need) would be required for the two to be aligned (i.e. a sufficient increase in the economically active/working population).

**13.2** To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply)
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment.
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections

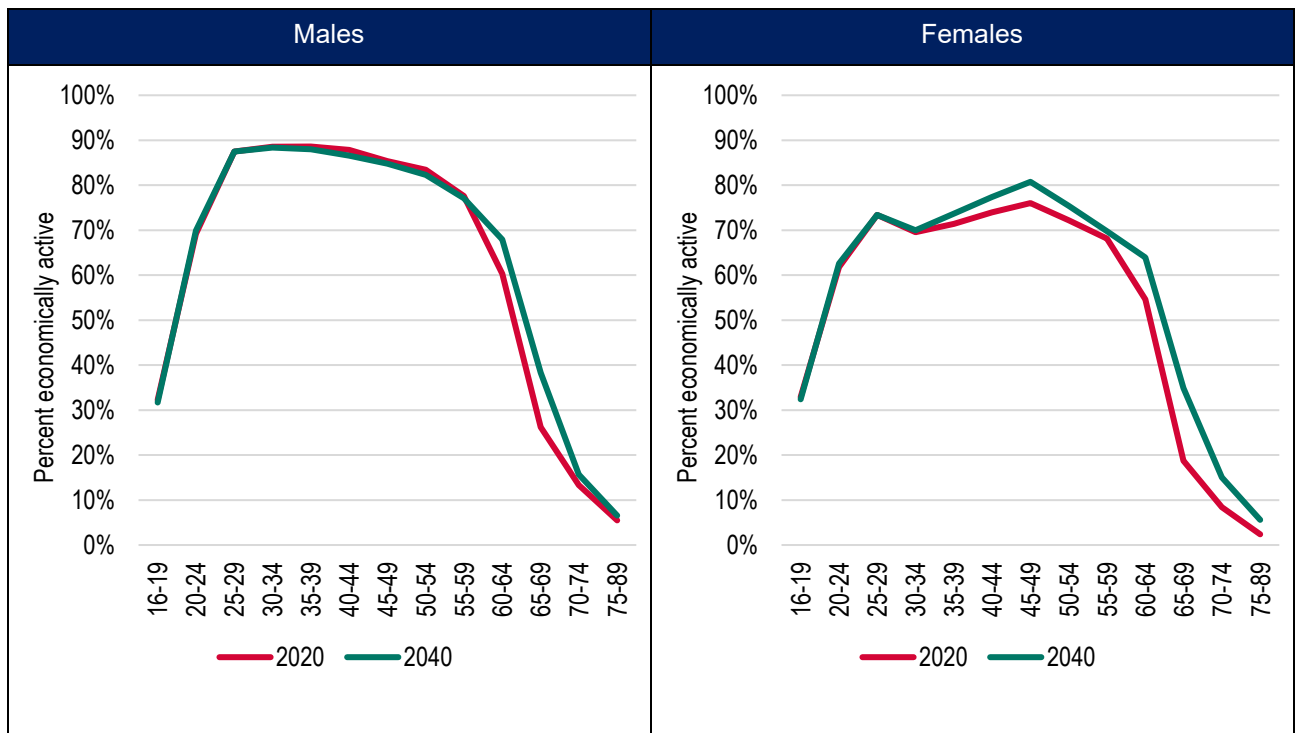
### **Growth in Resident Labour-Supply**

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**13.3** The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report).

**13.4** The figure and table below show the assumptions made (for Birmingham). The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Projected changes to economic activity rates (2020 and 2040) – Birmingham



Source: Based on OBR and Census (2011) data

**Table 13.1** Projected changes to economic activity rates (2020 and 2040) – Birmingham

	Males			Females		
	2020	2040	Change	2020	2040	Change
16-19	32.3%	31.7%	-0.6%	32.9%	32.4%	-0.5%
20-24	69.2%	69.9%	0.7%	61.8%	62.6%	0.8%
25-29	87.5%	87.5%	0.0%	73.4%	73.4%	0.0%
30-34	88.6%	88.4%	-0.2%	69.5%	70.0%	0.4%
35-39	88.6%	88.0%	-0.6%	71.4%	73.7%	2.3%
40-44	87.9%	86.6%	-1.3%	74.0%	77.4%	3.4%
45-49	85.4%	84.8%	-0.6%	76.0%	80.8%	4.7%
50-54	83.5%	82.3%	-1.2%	72.2%	75.4%	3.2%
55-59	77.6%	77.1%	-0.5%	68.2%	69.8%	1.6%
60-64	60.3%	67.9%	7.6%	54.6%	63.9%	9.3%
65-69	26.2%	38.3%	12.1%	18.8%	34.9%	16.1%
70-74	13.3%	15.7%	2.4%	8.4%	15.1%	6.6%
75-89	5.5%	6.6%	1.1%	2.4%	5.6%	3.2%

Source: Based on OBR and Census (2011) data

**13.5** Working through an analysis of age and sex specific economic activity rates (i.e. the EAR rates are applied to the population projection for each age group) it is possible to estimate the overall change in the number of economically active people in the City – this is set out in the table below. The analysis shows that with the demographic assessment - Scenario 2 there would be an estimated increase in the economically active population of around 72,700 people (a 13% increase over 20-years).

**Table 13.2** Estimated change to the economically active population (2020-40) – Birmingham

	Economically active (2020)	Economically active (2040)	Total change in economically active
Demographic Assessment- Scenario 2	540,985	613,701	72,716

Source: Derived from demographic projections

### Linking Changes to Resident Labour Supply and Job Growth

**13.6** The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa).

### Commuting Patterns

**13.7** The table below shows summary data about commuting to and from Birmingham from the 2011 Census. Overall, the data shows that the City sees a notable level of net in-commuting for work with the number of people resident in the area who are working being about 13% lower than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live).

**Table 13.3 Commuting patterns in Birmingham**

		Number of people
A	Live and work in Birmingham	256,811
B	Home workers living in Birmingham	33,231
C	Birmingham Residents with No fixed workplace	34,239
D	In-commute to Birmingham	166,272
E	Out-commute from Birmingham	101,467
F = A+B+C+D	Total working in Birmingham	490,553
G = A+B+C+E	Total living in Birmingham (and working anywhere)	425,748
H = G/F	Commuting ratio	0.868

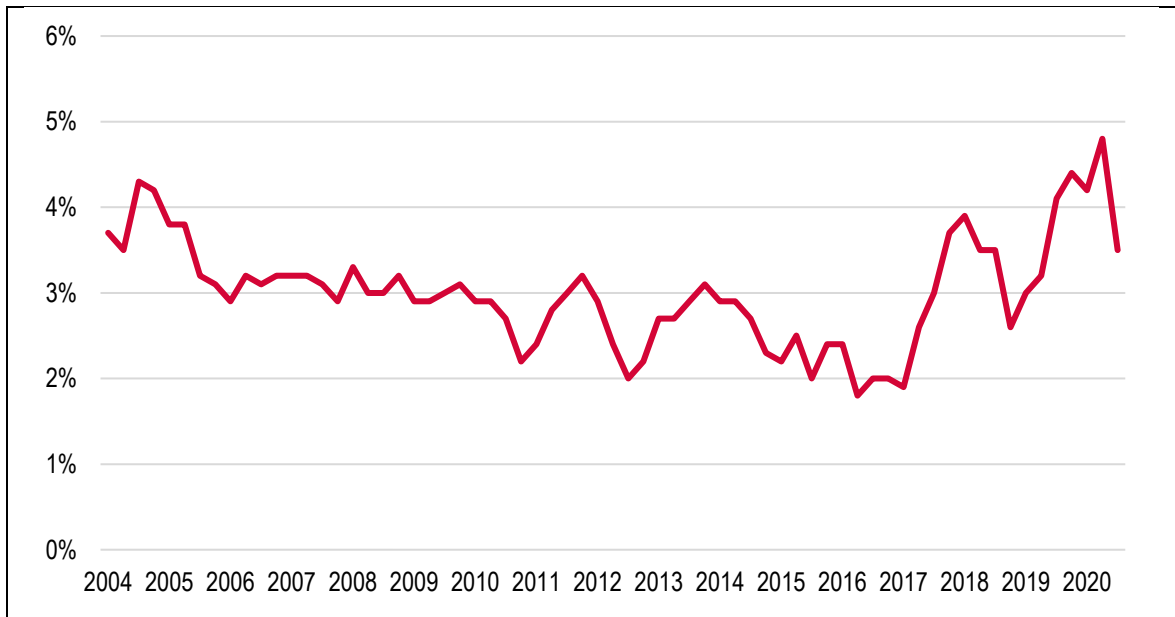
Source: 2011 Census

- 13.8** In translating the commuting patterns into growth in the labour-force, a core assumption is that the commuting ratio remains at the same level as shown by the 2011 Census. While this data is somewhat dated no alternative and more recent data is available.
- 13.9** In addition, a sensitivity has also been developed where commuting for new jobs is assumed to be on a 1:1 ratio (i.e. the increase in the number of people working in the City is equal to the number of people living in the City who are working).
- 13.10** This sensitivity is useful to understand the implications for housing as to continue to assume net in-commuting would arguably mean that other authorities (outside of Birmingham) would be providing housing for people taking up additional jobs in the City. The 1:1 ratio is also useful in the context of Covid-19 with the likelihood being that a greater proportion of people will work from home (or mainly from home) in the future.

### **Double Jobbing**

- 13.11** The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the local authority divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests across the City that typically between about 3.0% of workers have a second job – levels of double jobbing have been slightly variable over time (mainly due to the accuracy of data at a local level).

**Table 13.4** Percentage of all people in employment who have a second job (2004-2020) – Birmingham



Source: Annual Population Survey (from NOMIS)

**13.12** For the purposes of this assessment it has been assumed that around 3% of people will have more than one job moving forward. A double jobbing figure of 3% gives rise to a ratio of 0.97 (i.e. the number of jobs supported by the workforce will be around 3% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time, although the apparent upward trend should be noted.

### Unemployment

**13.13** The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers, particularly as the impact of the ending of the furlough scheme are unknown.

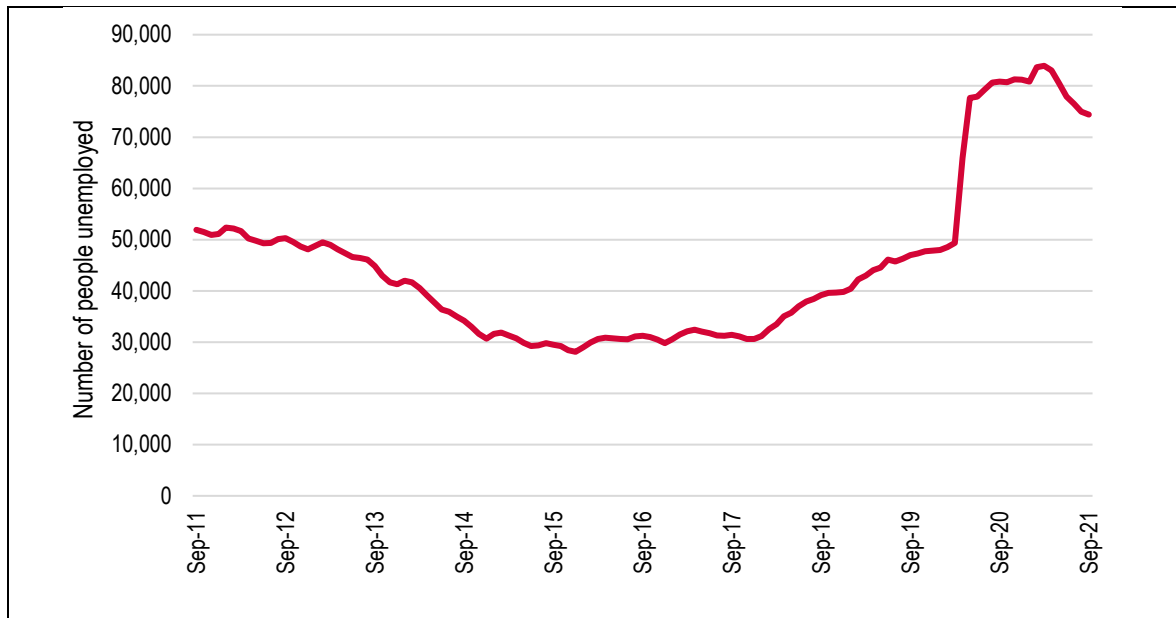
**13.14** The figure below looks at Claimant Count data (described as the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit who are out of work). This will not give a full picture of unemployment as not all of those that are unemployed will be a claimant, but it will certainly help to provide an indication; claimant count data is available up to January 2022 with the data below showing a trend for the previous decade.

**13.15** The analysis shows a clear increase in the number of claimants (presumably as a result of the pandemic) – rising from around 50,000 to over 80,000 in spring 2021 and then falling to 67,000 in



over the most recent month for which data is available (January 2022). For the purposes of modelling, no adjustments are made for the increased unemployment. Essentially, the modelling assumes that job losses as a result of the pandemic will be recovered by the end of the projection period in 2040.

**Table 13.5** Number of out-of-work benefit claimants (2011-2021) – Birmingham



Source: NOMIS

### Jobs Supported by Growth in the Resident Labour Force

- 13.16** The table below shows how many additional jobs might be supported by population growth under the demographic assessment- Scenario 2. Given current commuting patterns and estimates about double jobbing, it is estimated that around 86,400 additional jobs could be supported by the changes to the resident labour supply; a lower number of jobs could be supported if the analysis assumes a 1:1 commuting ratio (75,000 jobs). These figures exclude any additional jobs resulting from people returning to work following the pandemic.

**TABLE 13.7. JOBS SUPPORTED BY DEMOGRAPHIC PROJECTIONS (2020-40) – BIRMINGHAM**

		Total change in economically active	Allowance for net commuting	Allowance for double jobbing (= jobs supported)
Demographic Assessment - Scenario 2	Census commuting	72,716	83,784	86,386
	1:1 commuting	72,716	72,716	74,974

*Source: Derived from a range of sources as described*

### UK Central

- 13.17** A further consideration for this report is the impact of the plans for UK Central (UKC) which although outside of the City in Solihull directly adjoins the City’s boundary. The proposed development is located in what is an already large employment centre which includes the NEC, Jaguar Land Rover and Birmingham Airport.
- 13.18** There are established existing commuting flows between Birmingham and this area and the wider Solihull borough which reflect the inter-connectedness of their housing markets and economies, with notable flows in both directions. The UK Central area sits within the Birmingham Travel to Work Area.
- 13.19** The Solihull HEDNA (GL Hearn, Oct 2020) envisaged growth in workplace-based employment of 23,000 which includes 10,000 jobs associated with baseline economic growth (to which it applies 2011 Census commuting assumptions) and 13,000 jobs (to which it applies location-specific commuting assumptions).
- 13.20** Of the specific jobs associated with growth at UK Central, the Solihull HEDNA’s assumption, following localised 2011 patterns from the census, is that 25.3% of workers come from Solihull, 31.7% come from Birmingham and a balance from a range of other areas (Solihull HEDNA Table 34).
- 13.21** When these commuting assumptions are applied to the UKC jobs figure (13,000) the Solihull HEDNA expects an additional 4,100 people commuting to UKC from Birmingham. The question which arises is whether this increase could have an upward impact on housing need in Birmingham. We therefore need to consider:
- a). The level of growth in labour supply which (unconstrained) housing need might support; and
  - b). How this compares to scenarios for labour demand in Birmingham.

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### **Growth in Labour Supply**

**13.22** We have set out below the growth in economically active persons which can be expected to arise in different scenarios for population/ housing growth in Birmingham between 2020 and 2040. This is therefore in effect the additional potential workforce generated by population growth and later retirement.

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### Change in Economically Active Persons– Birmingham 2020-40 (Persons - Rounded)

Scenario	Economically Active Growth 2020-2040
Demographic Assessment – Scenario 2 (4,326 dpa)	72,700
BDP Housing Need (4,450 dpa)	76,100
Standard Method LHN (6,750 dpa)	138,500

Source: Icení Modelling

- 13.23** This analysis uses the ONS 2018-based SNPP (Internal Migration Variant) as the base population projection for the modelling, this being the latest official set of ONS population projections. The starting point is updated to align with the ONS 2020 Mid-Year Population Estimate.
- 13.24** Household formation assumptions are drawn from 2014-based Household Projections with a part-return to trend adjustment applied to the headship rates for those aged 25-34 to avoid any issues of suppression. Migration is then adjusted to align with the scenarios for housing need.
- 13.25** Economic activity assumptions by age/sex are drawn from the Office for Budget Responsibility (OBR) Fiscal Sustainability Report 2018. This assumes some growth in women and older people within the workforce and is essentially an industry-standard approach for studies such as this.
- 13.26** The analysis shows that the demographic assessment- Scenario 2 would support labour supply growth of 72,700 persons to 2040. The BDP housing need of 4,450 dpa would support labour supply growth of 76,100 persons to 2040; whilst the standard method LHN figure would support labour supply growth of 138,500 persons to 2040.

#### Unemployment

- 13.27** Consideration next needs to be given to whether there is a level of unemployment at the 2020 base date and whether reducing unemployment can contribute to economic growth.
- 13.28** As at the base position in mid-2020, there were 79,265 unemployed claimants in the City, with an unemployment rate of 10.8%. The long-term pre-pandemic average level of claimant unemployment was 5.8% over the period from 2006-2020. The average over the 2015-17 period was 4.2%.
- 13.29** From the base position, if unemployment was to fall to 4.2% this would support additional job creation of 48,400 in the City. A fall to 5.8% would support 36,700 jobs and would see the unemployment rate return to the long-term average rate (which remains above that at a regional/ national level).
- 13.30** On a cautious basis, we have adopted the latter scenario of a return to 5.8%. The resultant overall labour supply is shown below.

**Table 13.6 Labour Supply through Reductions in Unemployment Change**

	Change in Economically Active	Reduction in Unemployment	Total Potential Labour Supply (Persons)
Demographic Assessment – Scenario 2 (4,326 dpa)	72,716	36,700	109,416
BDP Housing Need (4,450 dpa)	76,074	36,700	112,774
Standard Method LHN (6,750 dpa)	138,503	36,700	175,203

Source: Icen Modelling based on DWP information

- 13.31** Employment growth is considered from a 2020 base position and the unemployment position is considered at a consistent base point. Reductions in unemployment can therefore contribute to meeting employment growth over the 2020-40 period.
- 13.32** Furthermore, unemployment in the City is particularly concentrated in East Birmingham which is geographically close if not adjoining UK Central Hub. The City Council's East Birmingham Inclusive Growth Strategy 2021 sets out that this area is expected to be a focus for investment which includes:
- Major transport improvements – including the new Midlands Metro line linking Birmingham City Centre through East Birmingham to Solihull and the Airport, improving connectivity to employment opportunities at UK Central;
  - Improvements to bus services including a SPRINT bus transit corridor along the A45; and
  - Extensive improvements to walking and cycling routes.
- 13.33** A key part of the rationale for these strategic investments is to allow local residents in East Birmingham to access new employment opportunities such as at UK Central.
- 13.34** The Inclusive Growth Strategy also sees HS2 (and the strategic development at the UK Central Hub and Arden Cross) as a once in a lifetime opportunity for East Birmingham. It includes a clear framework and actions for investment and promotion in education, skills and training to enable East Birmingham residents to access new employment opportunities including work with employers; training and employment support providers.
- 13.35** There is also a concentration of funded programmes in this area to help people back into work. It is entirely reasonable therefore to assume that reductions in unemployment can contribute to employment growth.

- 13.36** The final stage is to include a ‘double jobbing’ adjustment to convert the growth in potential labour to the number of jobs which could be supported, noting that a small proportion of people have more than one job. The assumption made is that 3% of people will have more than one job, based on the long-term average shown by ONS Annual Population Survey data. The number of jobs which can be supported is therefore 3% higher than the workforce.
- 13.37** The analysis shows that the demographic assessment - Scenario 2 would support 112,800 jobs over the period to 2040. The BDP housing need figure would support 116,300 jobs over the period to 2040, whilst the standard method would support 180,600 jobs.

**Table 13.7** Jobs which could be supported by Housing Need Scenario

	Potential Jobs Supported, 2020-40 (Jobs - Rounded)
Demographic Assessment – Scenario 2 (4,326 dpa)	112,800
BDP Housing Need (4,450 dpa)	116,300
Standard Method LHN (6,750 dpa)	180,600

*Source: Icení Modelling based on DWP information*

- 13.38** There are potential upside factors which points to some additional labour supply flexibility. For example If labour demand was sufficiently strong, we could potentially see:
- a) greater reductions in unemployment than modelled, closing the gap to the regional average; and
  - b) stronger growth in economic activity rates given Birmingham’s baseline rates are below those at a regional/national level – opening HS2 in 2029-33 is likely to support this.
- 13.39** Labour demand represents growth in jobs. It is driven by economic performance and that of businesses. In Chapter 18 of this report two labour demand scenarios for jobs growth over the projection period are set out.
- 13.40** The Baseline Projection is drawn from up-to-date forecasts from Cambridge Econometrics’ Local Economy Forecasting Model (LEFM). The Growth Scenario provides an alternative scenario for employment growth which is informed by further analysis, consideration of policy drivers and local dynamics of Birmingham’s economy informed by a package of engagement with economic stakeholders.
- 13.41** This growth scenario assumes stronger performance of key sectors including manufacturing, construction and financial, professional and business services in particular. It has been informed by engagement with the GBS LEP, Chamber of Commerce, Combined Authority and West Midlands Growth Company.

**13.42** The labour demand employment growth scenarios for the City thus shows jobs growth of between 43,700 and 82,200 over the 2020-40 plan period. The labour supply can then be compared to the labour demand. In both of the housing need scenarios, the potential labour supply in the City substantially exceeds the labour demand scenarios for employment growth set out herein.

**13.43** We thus see a potential pool of labour – enough to support 30,000+ jobs (and potentially well over 100,000) – who can potentially contribute to employment growth in other areas (if that opportunity exists) without there being any upward impact on housing need in Birmingham.

**Table 13.8 Comparing Labour Supply and Demand**

	Demographic Assessment- Scenario 2 (4,326 dpa)	BDP Housing Need (4,450 dpa)	Standard Method LHN (6,750 dpa)
Labour Supply	112,800	116,300	180,600
Labour Demand	43,700 – 82,200	43,700 – 82,200	43,700 – 82,200
Surplus Labour	30,600 – 69,100	34,100 – 72,600	98,400 – 136,900

Source: *Iceni Projects, 2021*

**13.44** Clearly on any of the housing need scenarios there is potential excess labour, and therefore potential to accommodate an additional 4,100 people in Birmingham who are commuting to Solihull to work without any upside on housing need either using the BDP need assumptions or using the standard method.

**13.45** Indeed, potentially all of the additional workforce beyond Solihull assumed to work at UK Central (c. 9,700) could be drawn from available labour within Birmingham without having an upward impact on housing need in Birmingham or elsewhere.

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*Key Points – Links between Housing and Economic Growth*

*Changes to economic activity rates are projected to be in the 60-69 age groups. With the demographic assessment- Scenario 2 projection there would be an estimated increase in the economically active population of around 72,700 people.*

*The City sees a high level of net in-commuting for work with the number of people resident in the area who are working being about 13% lower than the total number who work in the area. The commuting ratio for the area from the 2011 census is 0.868.*

*Data from the Annual Population Survey (available on the NOMIS website) suggests across the City that typically between about 3.0% of workers have a second job with a job supported to workforce growth ratio of 0.97*

*Claimant Count analysis shows a clear increase in the number of claimants (presumably as a result of the pandemic) – rising from around 50,000 to over 80,000 over the most recent months for which data is available.*

*It is estimated that around 86,400 additional jobs could be supported by the changes to the resident labour supply under the demographic assessment scenario 2.*

*We have also examined the potential labour supply resulting from the BDP and Standard Method. These show a growth of up to 180,000 jobs could be supported. As a result there is potential surplus labour supply which could address the growth at UK Central in Solihull without requiring an increase in housing need in Birmingham.*



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## Economic Baseline

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- 13.46** This section of the report profiles the city and sub-regional economy including its past performance. It also considers labour market dynamics within the City.

### Employment

- 13.47** According to Cambridge Econometrics as of 2019 in total there are 588,200 jobs in Birmingham. This is above BRES estimates due to the inclusion of estimates on self-employed. In the period between 2001 and 2019 this increased by 67,200. In percentage terms the growth in Birmingham (12.9%) has been slower than the West Midlands region (16.2%) and the whole UK (18.3%).

**Table 13.9** Historic Employment Growth (2001-19)

	Employment 2001	Employment 2019	Change	% Change
Birmingham	520,900	588,200	67,200	12.9%
West Midlands	2571,000	2,986,600	415,600	16.2%
UK	3,0019,000	3,5517,000	5,498,000	18.3%

Source: IcenI analysis of CE data

- 13.48** Since 2011 the City has been growing at a faster rate (14.5%) than the wider country (12.8%) but remains below the regional rate (14.7%). This in part reflects a recovery from the 2007/08 financial crisis. Notably the City has also grown more quickly in this period than in the previous period.

**Table 13.10** Historic Employment Growth (2011-19)

000s	Employment 2011	Employment 2019	Change ('000s)	% Change
Birmingham	513.7	588.2	74.6	14.5%
West Midlands	2602.8	2986.6	383.7	14.7%
UK	31486.0	35517.0	4031.0	12.8%

Source: IcenI analysis of CE data

- 13.49** The sectoral composition of employment in Birmingham is set out below compared to the Region and UK (2020). Financial, Professional and Business Services, a high value activity, is the largest sector at nearly 140,000 jobs and is larger proportionately than in other areas. Retail and wholesale is the second largest sector but less well represented. Education and Health follow (higher representation than in other areas) and then Manufacturing and Construction (lower representation).

**Table 13.11 Employment by Sector (2020) '000s**

Sector	Birmingham	Birmingham %	West Midlands %	UK %
Total	576.8	100.0%	100.0%	100.0%
Financial, Professional and Business	138.7	24.0%	19.8%	22.2%
Retail and Wholesale	77.8	13.5%	15.2%	14.2%
Education	55.6	9.6%	8.5%	8.4%
Health	55.2	9.6%	7.7%	7.6%
Manufacturing	38.9	6.7%	10.5%	7.5%
Construction	36.7	6.4%	7.0%	6.6%
Food and accommodation	35.9	6.2%	6.3%	6.9%
Transport and Storage	30.4	5.3%	6.3%	5.1%
Residential & social	30.3	5.3%	5.0%	5.0%
Public Administration & Defence	26.3	4.6%	3.6%	4.4%
ICT	17.1	3.0%	3.0%	4.2%
Other services	15.3	2.6%	2.7%	2.8%
Recreational services	7.2	1.2%	1.6%	1.7%
Arts	5.9	1.0%	1.0%	1.1%
Electricity Gas and Water	4.1	0.7%	1.1%	1.0%
Agriculture, forestry & fishing	1.3	0.2%	0.8%	1.1%
Mining & quarrying	0.2	0.0%	0.1%	0.2%

Source: Icenl analysis of CE data

- 13.50** Location Quotient (LQ) provides a measure of the relative concentration of employment in multiple areas of different sizes. We have conducted this analysis for the Birmingham economy in comparison to the West Midlands and UK.
- 13.51** Any values greater than 1 means that Birmingham has an over-representation in that sector in comparison to that area. Conversely any value lower than 1 means that the sector is under-represented in the City. A value of 2 means that Birmingham has double the percentage of jobs while a value of 0.5 means that Birmingham has half the percentage of jobs.
- 13.52** Some high representation sectors can still have small employment counts so their importance can be over stated without consideration of scale.
- 13.53** As shown in the table below Birmingham has a high percentage of jobs within in the Pharmaceuticals (x1.7, 600 jobs), Financial & insurance (x1.8, 26,000 jobs), Legal & accounting (x2, 21,400 jobs) and Air Transport (x2, 700 jobs) sectors when compared to the West Midlands.
- 13.54** This differs when looking at the LQ of Birmingham compared to the UK where there is an over-representation of jobs within the Motor vehicles (x2.6, 6,400 jobs), Machinery (x1.4, 4,300 jobs) as well as Financial & insurance (x1.4, 26,000 jobs) and Legal & accounting (x1.5, 21,400 jobs) sectors.
- 13.55** This demonstrates that the Financial & insurance and Legal & accounting sectors are particularly important to Birmingham's economy by virtue of their high LQ when compared to the wider areas, especially when considering that each sector employs over 20,000 people in the City.

**Table 13.12 Employment Structure and Location Quotient (LQ) Analysis (2021)**

Sector	Birmingham Vs West Midlands	Birmingham Vs UK
Agriculture, forestry & fishing	0.3	0.2
Mining & quarrying	0.3	0.2
Food, drink & tobacco	0.4	0.4
Textiles etc	0.8	0.8
Wood & paper	0.8	0.6
Printing & recording	1.0	0.8
Coke & petroleum	0.1	0.1
Chemicals	0.4	0.2
Pharmaceuticals	1.7	0.7
Non-metallic mineral products	0.6	1.1
Metals & metal products	0.6	1.3
Electronics	0.3	0.2
Electrical equipment	0.4	0.4
Machinery	0.6	1.4
Motor vehicles	0.7	2.6
Other transport equipment	0.4	0.2
Other manufacturing & repair	1.0	1.3
Electricity & gas	0.4	0.4
Water, sewerage & waste	0.9	0.9
Construction	0.9	1.0
Motor vehicles trade	0.8	1.0
Wholesale trade	0.9	1.1
Retail trade	0.9	0.9
Land transport	1.0	1.2
Water transport	0.9	0.2
Air transport	2.0	0.5
Warehousing & postal	0.6	0.9
Accommodation	0.8	0.6
Food & beverage services	1.0	1.0
Media	1.3	0.6
IT services	0.9	0.7
Financial & insurance	1.8	1.4
Real estate	1.1	1.0
Legal & accounting	2.0	1.5
Head offices & management consultancies	0.9	0.7
Architectural & engineering services	1.2	1.1
Other professional services	1.0	0.7
Business support services	1.0	1.0
Public Administration & Defence	1.3	1.0
Education	1.1	1.1
Health	1.2	1.3
Residential & social	1.1	1.1
Arts	1.0	0.9
Recreational services	0.8	0.7
Other services	1.0	0.9

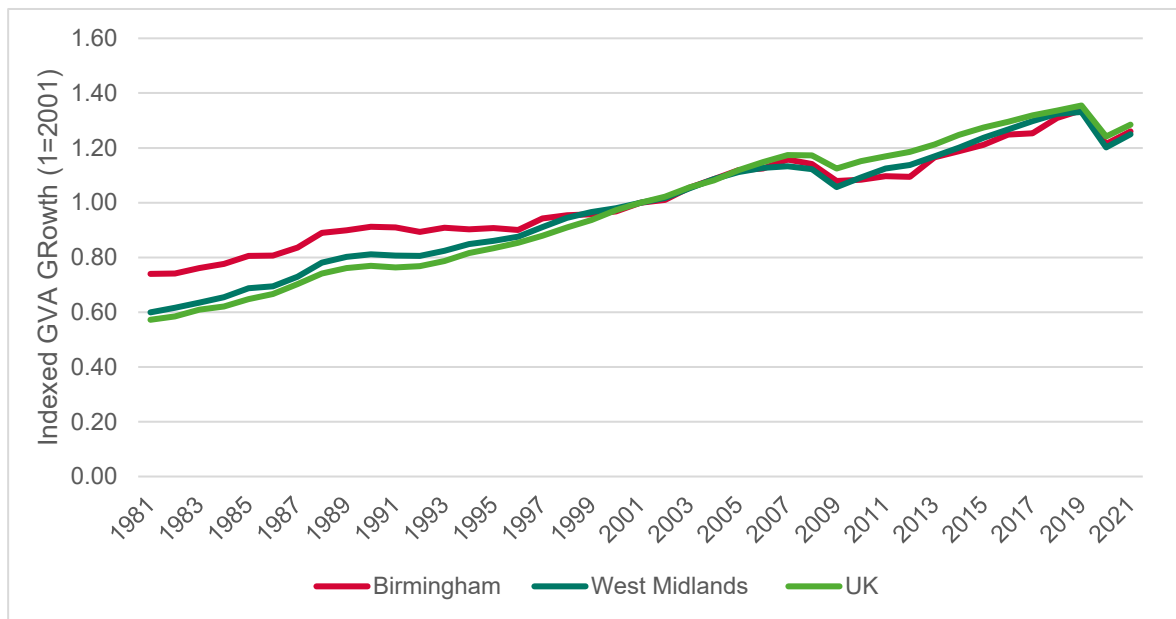
Source: IcenI analysis of CE data

**13.56** In contrast the under-represented sectors in comparison to the West Midlands include Coke & petroleum (x0.1) Agriculture, forestry & fishing (x0.3) and Mining & quarrying (x0.3). These sectors are much like the LQ comparison with the UK which also includes Water transport (x0.2). Given the urban nature of the City it is perhaps not unexpected that these sectors are under-represented.

### Gross Value Added

**13.57** In 2021 the value of the Birmingham Economy was around £28 Billion (2018 prices). As shown in the table below the City's economic growth has been almost constant since 1981 with the exception of the 2008 recession and the pandemic which also effected the wider economy. It is positive to see that this recovered in the last year, however, it is still not yet at pre-pandemic levels.

**Table 13.13 Indexed - Historical GVA Growth (2021)**



Source: Icen analysis of CE data

**13.58** The economy in the City has grown by around 26% since 2001 in real terms which is slightly faster than the wider West Midlands (25%) but below the national growth (29%).

**13.59** GVA by sector is set out below. Professional services makes the largest contribution followed by manufacturing. Within Professional services the largest contributor is Finance & insurance, followed by Legal & accounting, Business support and Real estate.

**Table 13.14 GVA by Sector (2020) (2018 prices, £ms)**

Sector	Birmingham %	Birmingham £m's
Professional services	23.7%	6,391.8
Manufacturing	11.6%	3,134.1
Retail	10.9%	2,928.3
Education	7.5%	2,031.1
Public Administration & Defence	7.3%	1,979.8
Health	6.9%	1,872.9
Construction	6.4%	1,738.5
ICT	5.1%	1,367.6
Residential & social	3.9%	1,054.3
Transport	3.2%	853.2
Other services	3.1%	840.3
Food and accommodation	1.3%	362.4
Recreational services	0.8%	207.7
Arts	0.4%	118.1
Total		26962.8

Source: Icen analysis of CE data

- 13.60** Between 2001 and 2021 the sectors with the largest growth in value within Birmingham were the Health sector (+£751 million) followed by the IT services (+£680m) and Residential and Social Care (+£674m).
- 13.61** In comparison to wider economic the growth in IT services was slower in Birmingham. In contrast, the Residential and social care sector was almost twice as fast while the Healthcare sector was similar to the national and regional trend.

**Table 13.15 Sectors driving growth in GVA (2001-21)**

	Birmingham GVA Growth 2001-21	Percentage Compound Annual Growth Rate (CAGR)		
		Birmingham	West Midlands	UK
Agriculture etc	10.6	25.4%	1.88%	0.61%
Chemicals	36.1	4.2%	1.96%	0.08%
Wholesale trade	490.5	2.5%	1.8%	1.20%
Retail trade	552.0	2.5%	2.16%	2.14%
IT services	680.2	3.9%	4.33%	3.96%
Real estate	413.4	3.5%	4.19%	4.12%
Legal & accounting	553.3	2.6%	2.22%	3.26%
Head offices etc	89.9	5.9%	6.28%	5.05%
Architectural & engineering services	178.2	3.2%	3.21%	3.26%
Health	751.5	2.5%	2.38%	2.50%
Residential & social	674.4	5.0%	2.05%	1.63%
Other services	532.8	4.3%	0.58%	0.21%

Source: Icen analysis of Cambridge Econometrics data

**13.62** In percentage terms the Agriculture, forestry & fishing sector has the highest CAGR in Birmingham (25.4%) in the 2001-21 period although it is a very minor sector and showed the lowest absolute growth.

**13.63** For the 2011-21 period the largest growth sectors were Residential and social care, IT services, Other services and Retail.

#### Productivity

**13.64** In terms of GVA per job Birmingham (£48,357) and the West Midlands region (£45,557) lag behind the UK (£52,065), demonstrating that jobs in both Birmingham generally contribute less to the overall economy than other parts of the country, however London and South East tend to dominate and thus skew the UK figures.

**Table 13.16 Productivity - GVA per Job (2021)**

	GVA £m 2021	Total Employment ('000s) 2021	GVA per job
Birmingham	27,966.2	578,300	£48,357
West Midlands	133,534.8	2,931,200	£45,557
UK	1,837,423.6	35,290,600	£52,065

Source: Icen analysis of CE data

**13.65** GVA per job is higher in Birmingham than in the wider West Midlands region indicating that Birmingham acts as an economic centre for the region. This is perhaps not unexpected given the level of high value manufacturing and other financial services which tend to add greater value.

**13.66** GVA per hour worked is set out below. Birmingham sits just below the West Midlands average and at 87.1% of the UK, although this is considerably dragged up due to London. Although not set out in the table below, only Edinburgh sits noticeably above 100 across all the City Regions.

**Table 13.17 Productivity - GVA per hour worked (2019)**

	GVA £ per hour	Index
Birmingham	30.6	87.1
West Midlands CA	31.8	90.4
Greater London	46.4	131.9
UK	35.2	100

Source: ONS, GVA per hour worked smoothed nominal data

**13.67** The table below highlights the sectors by their total productivity, employment and GVA per job. The highest GVA per job is reported for Manufacturing, ICT, Public Administration & Defence, Utilities (small sector), Other services and Professional Services

**Table 13.18 GVA and Employment by Sector (2021)**

	GVA 2021 (£million)	Employment 2021 (000s)	GVA per job
Agriculture, forestry & fishing	10.7	1.3	£8,076
Mining & quarrying	2.8	0.2	£18,222
Manufacturing	3,308.5	39.3	£84,280
Construction	1,784.8	36.3	£49,127
Utilities	285.2	4.0	£71,082
Retail	3,069.9	78.0	£39,343
Transport	910.7	31.4	£28,978
Food and accommodation	387.6	34.5	£11,251
ICT	1,416.5	17.2	£82,350
Professional services	5,578.6	90.9	£61,370
Business support services	971.1	49.5	£19,624
Public Administration & Defence	2,042.3	25.7	£79,528
Education	2,110.3	55.6	£37,952
Health	1,933.0	55.9	£34,585
Residential & social	1,088.2	30.7	£35,471
Arts	120.2	5.7	£21,177
Recreational services	213.0	7.1	£29,814
Other services	940.4	15.1	£62,374
Total	27,966.2	578.3	£48,357

Source: Icen analysis of CE data

- 13.88** We have also examined the value added by the manufacturing sectors. This indicates that the greatest value per job is created by the manufacturing of metals & metal products (£172,985), chemicals (£161,365) and other transport equipment (£112,994).
- 13.89** The overall value of the metals & metal products sector in the City is also twice as large of any other manufacturing sector with a value of around £1.265 billion.

**Table 13.19 GVA and Employment in Manufacturing Sub-Sectors (2021)**

	GVA 2021 (£million)	Employment 2021 (000s)	GVA per job
Food, drink & tobacco	165.7	2,700	£60,308
Textiles etc	47.9	1,500	£31,035
Metals & metal products	1265.0	7,300	£172,985
Machinery	204.6	4,300	£47,764
Non-metallic mineral products	218.9	4,900	£44,651
Other manufacturing & repair	469.1	7,200	£65,289
Wood & paper	106.8	1,400	£75,258
Electronics	42.7	400	£99,490
Other transport equipment	50.1	400	£112,994
Pharmaceuticals	38.4	600	£69,110
Electric equipment	40.0	500	£80,100
Printing & recording	67.7	1,100	£59,058
Chemicals	64.1	400	£161,365
Motor vehicles	525.6	6,400	£82,500

Source: IcenI analysis of CE data

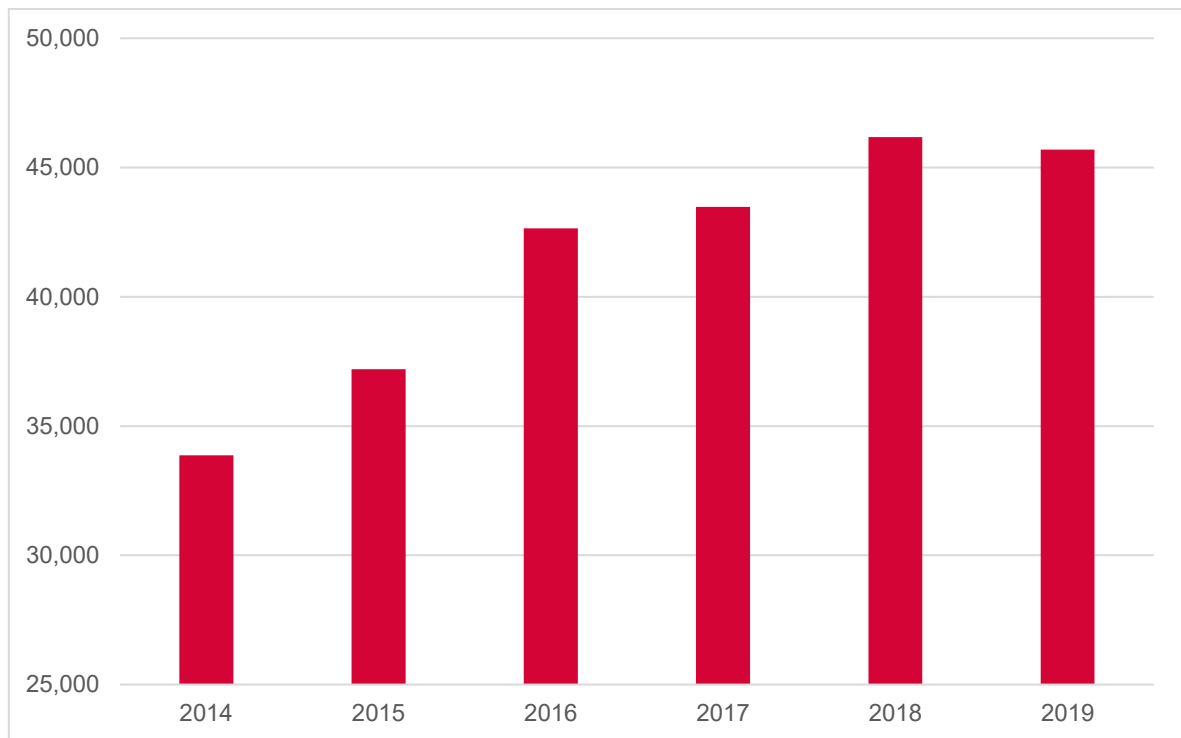
- 13.105** The sector also employs more people (7,300 jobs) than any other manufacturing sectors although the other manufacturing & repair offers a comparable number of jobs, approx. 7200, but as a result of its lower overall value the GVA per job is less than half of that of Metals & metal products (£65,289).

#### **Business Base**

- 13.106** There are approximately 45,700 enterprises in the City. Despite a slight drop-off in 2019 the number of active enterprises has grown since 2014. There has been a slowing of growth since 2016 and in the last year a reduction which is likely linked to the pandemic.



**Table 13.20 Active Enterprises – Birmingham (2020)**



Source: ONS Business Demography Statistics

**13.107** The number of enterprises in the City per head of working age population is lower than the wider West Midlands and UK. That said across the City the clear majority of businesses employ between 0 and 4 people. This would indicate a level of entrepreneurship in the City. The sub areas with the highest number of businesses overall are Ladywood (11,000) followed by Hall Green (3,990) and Sutton Coldfield (3,875).

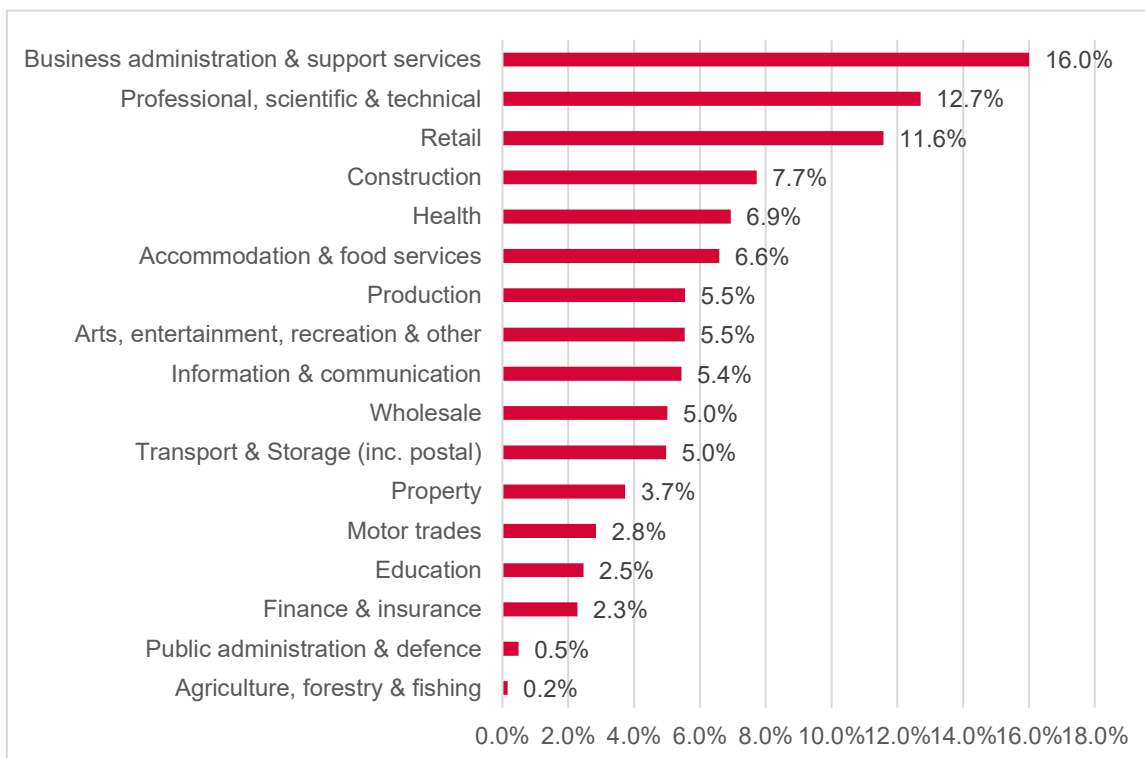
**Table 13.21 Business Density (2020)**

	Active Enterprises, 2019	Enterprises per 1,000 of population 16-64
<b>Birmingham</b>	45,690	62
<b>West Midlands</b>	240,635	130
<b>UK</b>	2,990,320	71

Source: Icen analysis of ONS Business Demography Statistics

**13.108** When split by sector the Business, administration & support services are the most prevalent enterprises within the city. It is of note that around 90% of firms in Business admin and Professional services are micro (less than 10 employees) so the counts include many smaller trader and sole trader firms. Although there are sectors that are more prevalent than others it is positive to see a diverse business base where no one sector taking the overall majority of VAT/PAYE businesses operating within Birmingham.

**Table 13.22 Profile of VAT/PAYE Enterprises by Sector, Birmingham 2020**



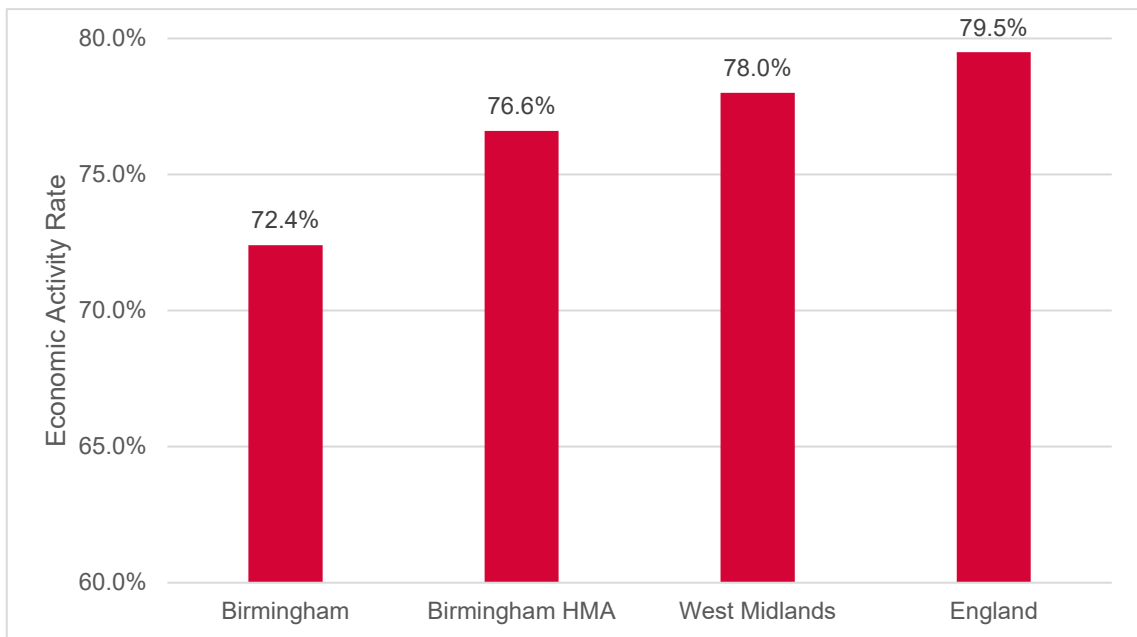
Source: Icenis analysis of ONS / IDBR data

### Labour Market

**13.109** This section assesses the labour market characteristics and performance, addressing issues associated with economic participation, skills, and earnings. We have also considered the same characteristics for the Birmingham HMA as much of those residents will commute to the city.

**13.110** As the figure below shows, the population within the Birmingham is less economically active (72%) than the wider HMA, West Midlands and the UK. It is also worth noting that the wider region is less active than the national level.

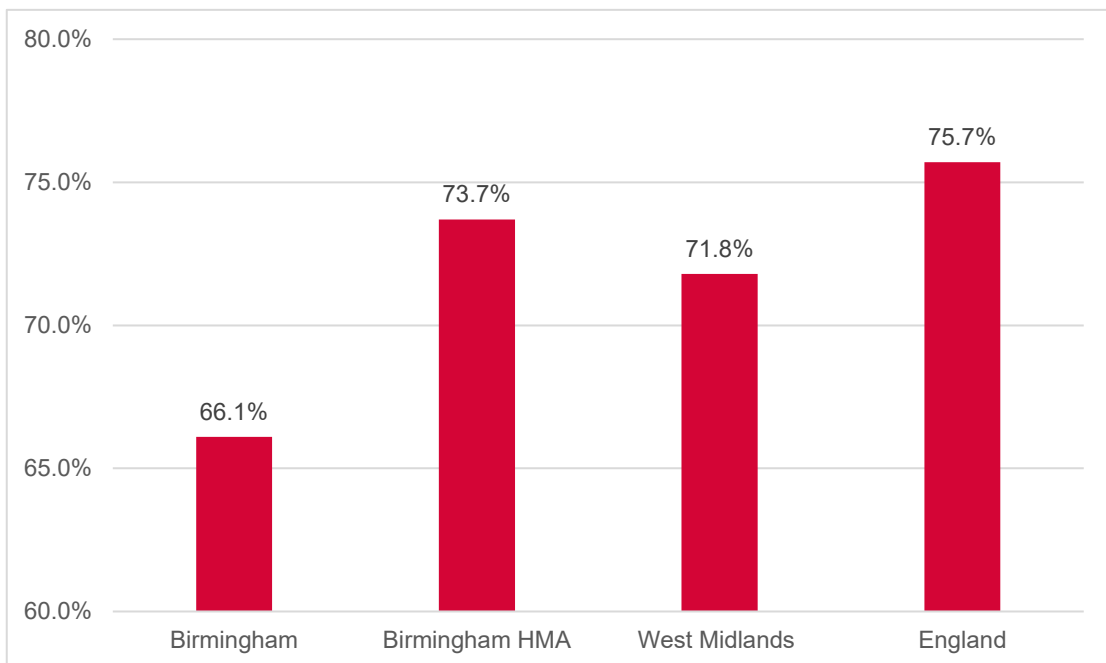
**Table 13.23 Economic Activity Rate (2021)**



Source: ONS Annual Population Survey 2020

**13.111** The City also has a considerably lower employment rate than the wider comparators. Unlike the economic activity rates this reflects the influence of students many of which are not employed but are economically active.

**Table 13.24 Employment Rate (2020)**



Source: ONS Annual Population Survey 2020

**13.112** Higher unemployment rates are evident in the City (8.7%) compared to the West Midlands (5.4%) and the UK (4.8%). This partly reflect the impact of the pandemic (see below).

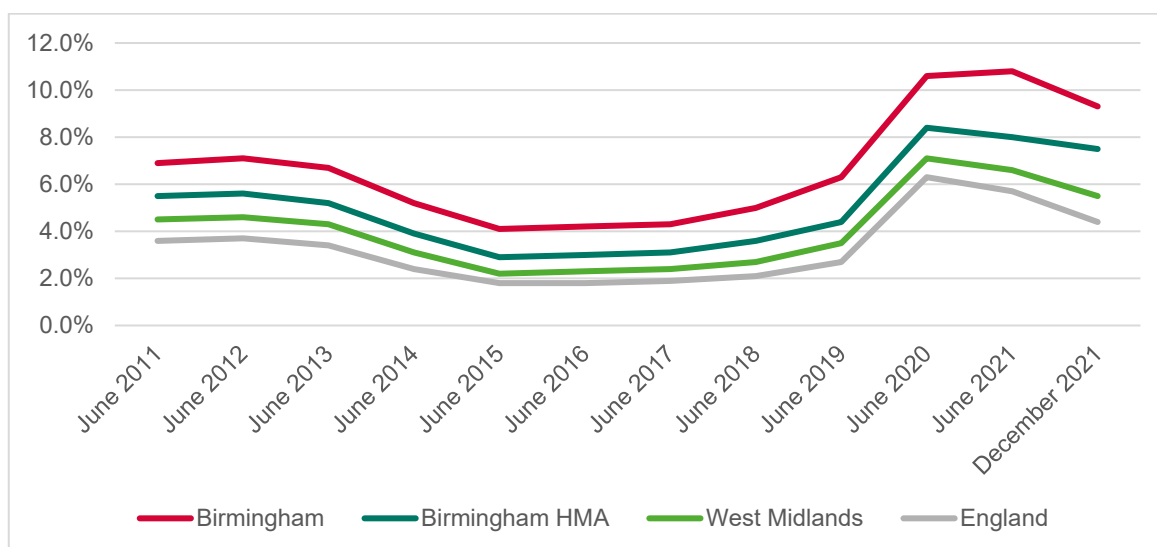
**Table 13.25 ONS Modelled Unemployment (2020)**

	Unemployment 2020	% 16-64
Birmingham	46,500	8.7%
Birmingham HMA	99,300	6.3%
West Midlands	153,800	5.4%
UK	1,319,800	4.8%

Source: ONS Annual Population Survey 2020

**13.113** The unemployment data reflects the increase in claimants in the City and the wider comparators since 2011. As shown in the figure below there is a clear trend in the claimant rate across all four assessed areas with claimant rates falling until 2015 and then then begins to slowly increase until 2019 and 2020 when it increases more dramatically due to Covid-19, now falling as of end 2021.

**Table 13.26 Claimant Rate (June 2011 to June 2021)**

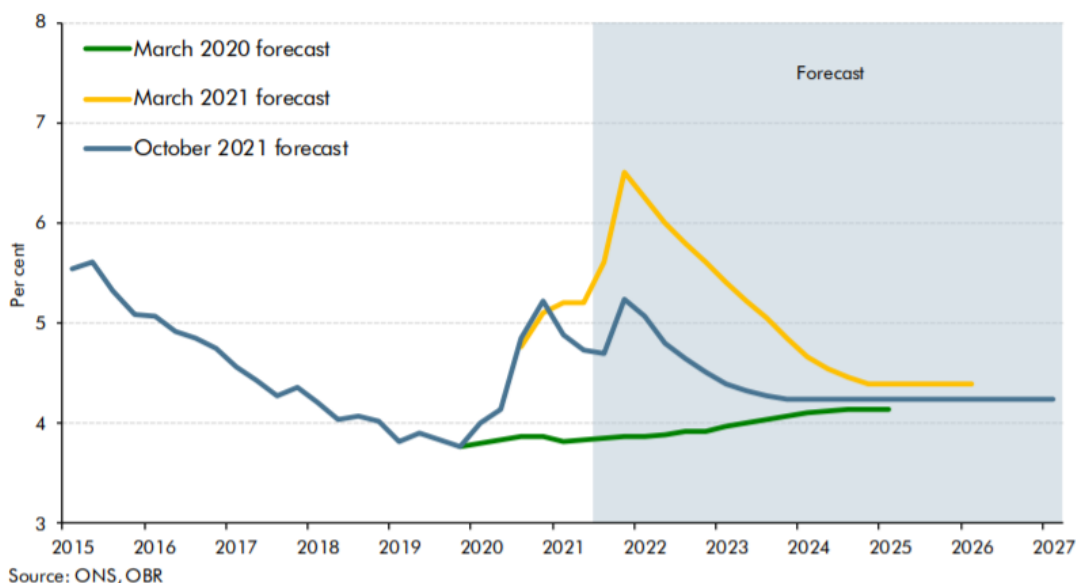


Source: ONS Claimant Count 2021

**13.114** Certain factors are likely the cause of this for example the 2016 Brexit referendum and the uncertainty surrounding this and the 2020 pandemic. However, across this period Birmingham consistently had a higher claimant rate than all other geographies, followed by the HMA and West Midlands.

**13.115** The Office of Budget Responsibility’s unemployment rate forecast from October 2021 predicts a rise in unemployment to 5.2% at the end of 2021. The forecast hopes to reflect the constraints on some sectors left in the aftermath of COVID restrictions, as well as the choice of some firms to adopt less labour-intensive processes which require less staff and some of the long-term effects of long periods away from employment experienced by those receiving Coronavirus Job Retention Scheme payments (furlough).

**Table 13.27 OBR Unemployment Rate Forecast**

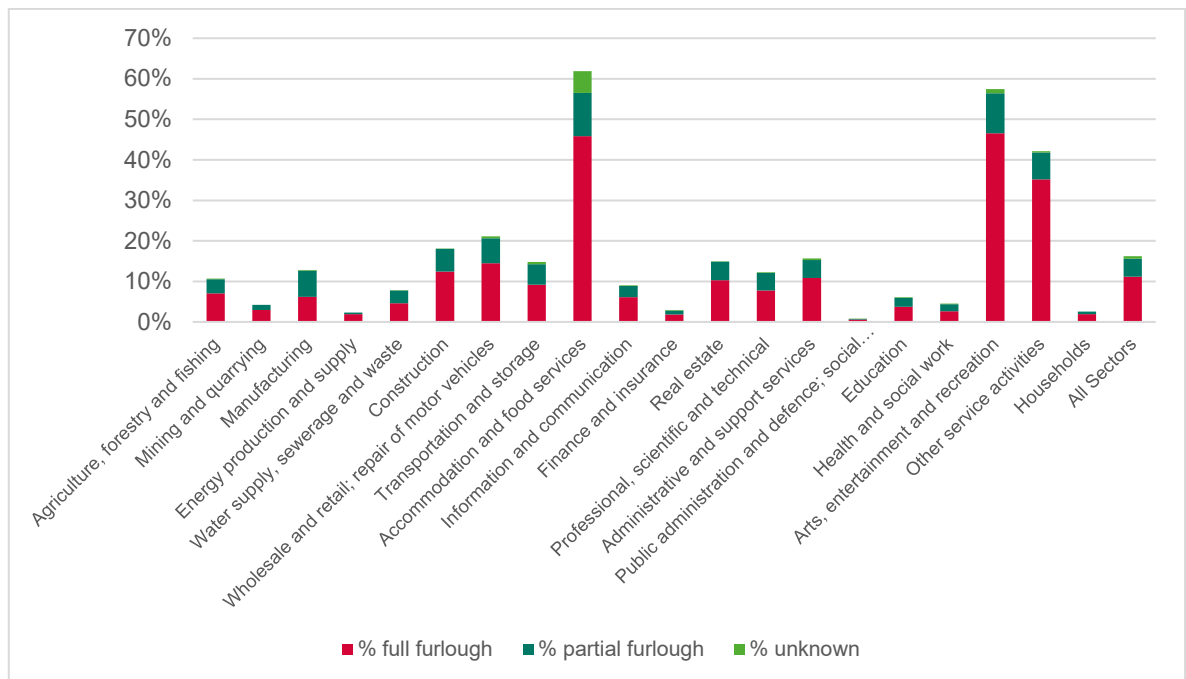


Source: OBR Economic and fiscal outlook Oct 2021

**13.116** The October 2021 forecast is more positive than some of the scenarios initially predicted in November 2020 and March 2021 and has the benefit of extra time in order to ascertain the impacts that the pandemic has had on the macro economy.

**13.117** The UK furlough scheme sought to provide support to businesses in protecting jobs and retaining members of staff throughout the COVID pandemic. Accommodation and food services (62%), Arts, entertainment and recreation (58%) and Other service activities (42%) show as the sectors that benefitted most from the scheme in some way. A reflection of the coronavirus restrictions which greatly limited these sectors.

**Table 13.28 Furlough Take-up Rate by Sector (UK)**

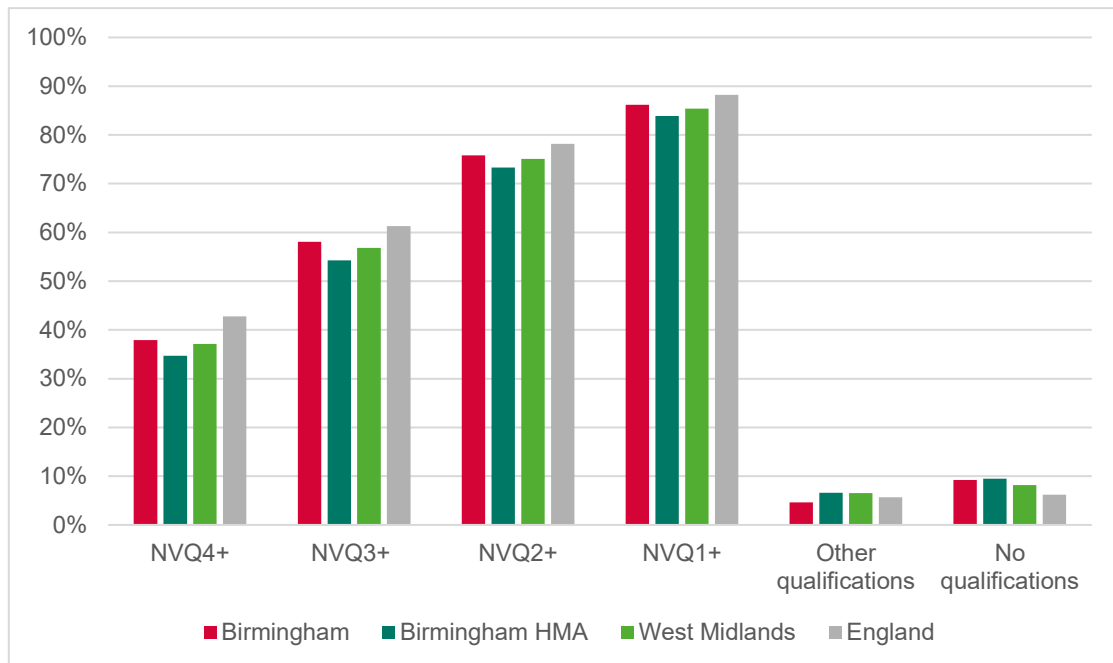


Source: HMRC CJRS Statistics: May 2021

### Qualifications and Skills

- 13.118** The percentage of population aged 16-64 qualified to at least NVQ4 (degree level) in Birmingham is 38% which is below the national figure of 43% but above the regional (37%) and HMA figures (35%). This will in part be linked to students staying on in the city after qualifying.
- 13.119** Approximately 9% of working age population in the City have no qualifications which increases to 10% when the wider HMA is examined. Both figures are significantly higher than the national picture (6%)

**Table 13.29 Percentage of qualified people aged 16-64 (2020)**



Source: ONS Annual Population Survey 2020

- 13.120** The qualifications breakdown of the City also influences the occupational split of the population. In particular those with higher levels of qualification tend to attract higher occupational groups including managers, directors and senior officials, as well as the second tier occupational groups of professional occupations and third tier associate professional and technical occupations.
- 13.121** As shown in the figure below the City and region both have 47% of the working age population in the top three occupational groups (the three tiers noted above). However, this is lower than the UK figure (51%) but significantly above the wider HMA (31%).

**Table 13.30 Employment in Top 3 Occupational Groups (2020)**

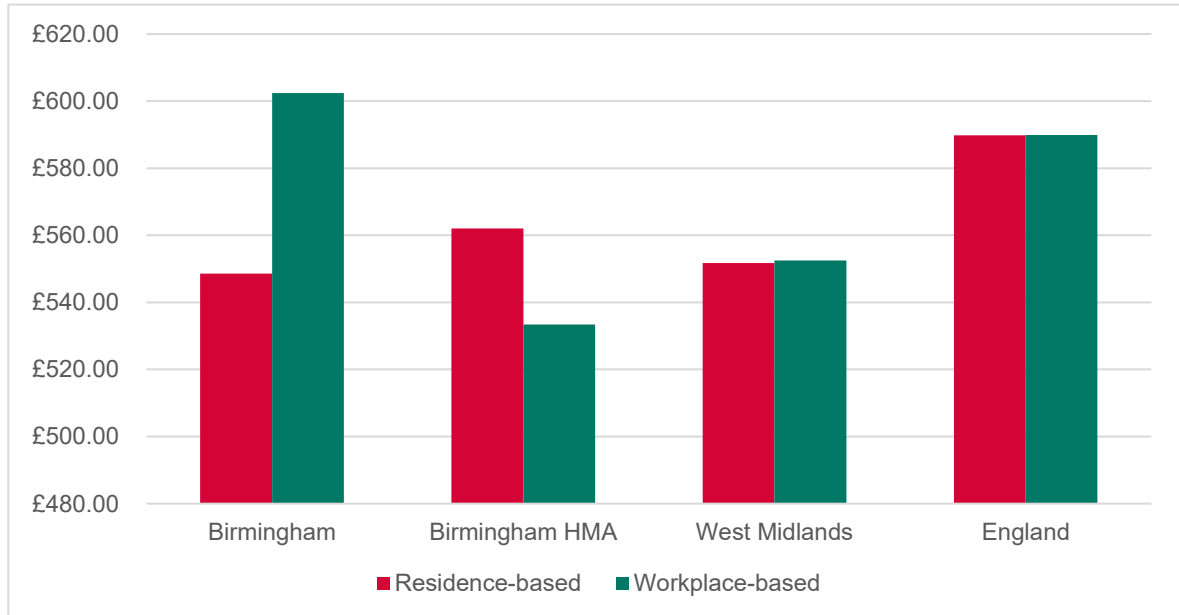


Source: ONS Annual Population Survey 2020

## Earnings

**13.122** The City of Birmingham has a higher workplace based earnings (£602 per week) than residence based (£548 per week) demonstrating that many of the higher paid jobs are going to those that commute from outside Birmingham to work.

**Table 13.31 Comparison of Residence and Workplace-based Earnings (2020)**



Source: ONS Annual Survey of Hours and Earnings

**13.123** It is also the case that those working in the City have higher median earnings in the wider region of country but in contrast those living in the City have lower median earnings than those in the wider region and country. It is also apparent that the jobs in the City are higher earning jobs than the wider HMA.



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### *Key Points: Economic Baseline*

*There are approximately 45,700 enterprises in the City and 588,200 jobs. In the period between 2001 and 2019 jobs increased by 67,200. In percentage terms the growth in Birmingham (12.9%) has been slower than the West Midlands region (16.2%) and the whole UK (18.3%).*

*Birmingham has a relatively high percentage of jobs within financial & insurance, legal and accounting sectors which are particularly important to the city's economy.*

*In 2021 the value of the Birmingham economy was around £28 Billion. The economy in the City has grown by around 26% since 2001 which is slightly faster than the wider West Midlands (25%) but below the national growth (29%).*

*GVA per job is higher in Birmingham than in the West Midlands region indicating that Birmingham acts as an economic centre for the region. This is perhaps not unexpected given the level of high value manufacturing and other financial services which tend to add greater value.*

*Manufacturing is also particularly important to the local economy as it is to the whole region. It contributes around £3.1 billion to the local economy and supports around 32,000 jobs.*

*Across the City the clear majority of businesses employ between 0 and 4 people. This would indicate a level of entrepreneurship in the City.*

*The sub areas with the highest number of businesses overall are Sutton Coldfield and Edgbaston, Edgbaston is also home to the highest number of businesses employing over 250 people.*

*However, the population within the Birmingham is less economically active and has a considerably lower employment rate than the wider comparators.*

*Approximately 9% of working age population in the City have no qualifications which is significantly higher than the national picture (6%). As a result, the city has a low number of people working in the higher end occupations.*

*The percentage of population aged 16-64 qualified to at least NVQ4 (degree level) in Birmingham is 38% which is substantially below the national figure of 43%. This will in part be linked to students staying on in the city after qualifying.*

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*Median workplace based earnings in the City around £602 per week while residence based earnings are lower ("548 per week). This demonstrates that many of the higher paid jobs are going to those that commute from outside of the city.*

*While other geographies have begun their post pandemic recovery the number of claimants in Birmingham has increased by 1.9% over the last year.*

*The Office of Budget Responsibility's predicts a rise in unemployment to 6.5% at the end of 2021 nationally.*

#### **business survey**

**13.124** This section analyses the data collected within the survey of businesses based and operating within Birmingham. The survey was conducted online over summer 2021 and 180 businesses responded. Given there are over 45,000 businesses in the City, the results are not statistically significant but provide some insight into local trading outlook.

**13.125** The responses of businesses can be sorted by the type of premises they occupy. Of the 172 businesses responding to this question, 63 occupied office premises followed by 48 in industrial or warehouse space.

**Table 13.32** Number of businesses by premises type

Type of premises occupied	Number Of Businesses
Hotel/Conference Centre	2
Industrial/Warehouse	48
No premises - Mobile/Work From Home	21
Office	63
Restaurant	1
Retail / Shop	21

Source: IcenI analysis of Business Survey data

**13.134** The businesses surveyed ranged greatly in their annual turnover with 32 companies seeing up to £99,000 in turnover per annum and 9 averaging over £10m each year. The most common turnover amount for companies occupying industrial and warehouse space was between £1m and £10m each year (22 of the total 48 companies), for companies based in office space this was slightly less of between £100,000 to £1m (23 of the total 65).

**Table 13.33 Annual turnover by occupied premises type**

Type of premises	£0 - £99,000	£100,000 - 999,000	£1m - £9,999,999	£10m+	Don't know / prefer not to sav
Hotel/Conference	1				
Industrial/Warehouse	2	17	22	6	1
No premises, Mobile/ Work From Home	10	10			1
Office	12	23	19	2	6
Restaurant	1				
Retail / Shop	6	9	3	1	3
<b>Total</b>	<b>32</b>	<b>59</b>	<b>44</b>	<b>9</b>	<b>11</b>

Source: Icen analysis of Business Survey Data

**13.140** The size of businesses surveyed also varies with 3 in excess of 250 employees and 60 with between just 1 to 4 employees. The majority of businesses surveyed (70) employ 9 people or less, with 40 businesses employing between 10 to 49 people. As can be expected towards the larger end of the scale at 50 plus employees there are fewer businesses (23). This broadly reflects the City's business structure, although the results are not statistically significant.

**13.141** Those businesses with employee numbers between 50 and 249 all saw annual turnovers exceeding £1m, of the businesses employing 250+ people 2 saw annual turnover of £10m+. Somewhat surprisingly, some businesses on the smaller end of the employee scale also saw high annual turnovers with 4 reporting annual turnovers of between £1m to £9,999,999. This could reflect registered holding companies or online trading businesses.

**Table 13.34 : Employee numbers by occupied premises type**

Type of premises	1-4	5-9	10-24	25-49	50+	Don't know
Hotel/Conference Centre	1					
Industrial/Warehouse	5	12		8	1	
No premises - Mobile/Work From Home	17	2	1			1
Office	23	11	1	9	2	
Restaurant	1					
Retail / Shop	12	5		3		
<b>Total</b>	<b>60</b>	<b>30</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>1</b>

Source: Icen analysis of Business Survey Data

**13.142** Of the 155 businesses responding to questions regarding where they predominantly operate, 80 reported selling their goods and services nationally within the UK with a majority of these (61 total)

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occupying Industrial/warehouse space (30) or office space (31). A total of 12 companies operate internationally with 8 of these companies occupying warehouse and industrial space.

**Table 13.35 : Goods and services sales location by occupied premises type**

Type of premises	Locally within Birmingham	Locally West Midlands	Nationally UK	EU International	Worldwide Outside EU
Hotel/Conference Centre	1				
Industrial/Warehouse	2	8	30		8
No premises - Mobile/Work From Home	2	3	12	2	2
Office	16	11	31	2	2
Restaurant	1				
Retail / Shop	8	5	7	2	
<b>Total</b>	<b>30</b>	<b>27</b>	<b>80</b>	<b>6</b>	<b>12</b>

Source: IcenI analysis of Business Survey Data

**13.143** Overall, a clear majority (74) of respondents considered their business as being within a growth sector, particularly those occupying office and industrial spaces. Businesses occupying restaurants and hotels were the only types to disagree overall, unsurprising considering how hard the Hospitality sector was hit by the introduction of coronavirus restrictions.

**13.144** Many businesses cited the performance of their sector throughout the pandemic as reasoning behind their answer. Those who generally considered themselves to have performed well (such as those working within e-commerce and digital services) were more positive regarding their company's growth outlook than those who had had difficulties during the pandemic.

**Table 13.36 Is the Business considered to be within a growth sector?**

Type of premises	Yes	No	Don't Know
Hotel/Conference Centre		1	
Industrial/Warehouse	23	9	6
No premises - Mobile/Work From Home	9	2	4
Office	36	10	3
Restaurant		1	
Retail / Shop	6	5	4
<b>Total</b>	<b>74</b>	<b>28</b>	<b>17</b>

Source: IcenI analysis of Business Survey Data

**13.145** This trend in businesses expecting growth can also be seen in expectations of employee growth in the next 1-2 years. The majority of businesses (68) expect their employee numbers to grow by at least 1% in the next 1-2 years again with most of these occupying office and industrial space. Those occupying restaurants and hotels again do not expect their employee numbers to grow.

**13.146** Of those business who answered 'yes', many cited the reason for this being an increased amount of business leading to current understaffing and positive market outlook for their sector. Those responding no or don't know referred to no plans to grow their company further, uncertainty in the market and lack of response to existing job advertisements as reasons why they felt this way.

**Table 13.37 Expected employee growth by premises type**

Type of premises	Yes – by 30%+	Yes – by 21 - 30%	Yes – by 11 - 20%	Yes - by 1 - 10%	No	(Don't know)
Hotel/Conference Centre					1	
Industrial/Warehouse	3	1	5	15	7	7
No premises - Mobile/Work From Home	2	1		3	4	5
Office		2	11	20	10	6
Restaurant					1	
Retail / Shop	1			4	7	4
<b>Total</b>	<b>6</b>	<b>4</b>	<b>16</b>	<b>42</b>	<b>30</b>	<b>22</b>

Source: Icen analysis of Business Survey Data

**13.147** In terms of the size of premises occupied, it is most common for businesses to occupy space less than 500sq.m with most of these in spaces falling within office uses. Of the businesses occupying industrial and warehouse premises, most spaces (15) fall in between 1,001-5,000 sq. m with 9 exceeding 10,001 sq. m. The businesses occupying these properties generally work on a larger scale with only 1 of these operating at a local West Midlands wide level, all others work either nationally or internationally outside the EU.

**Table 13.38 Size of premises occupied**

Type of premises	1- 500 sq.m	501- 1,000 sq.m	1,001- 5,000 sq.m	5,001- 10,000 sq.m	10,001 sq.m+	Don't know
Hotel/Conference Centre	1					
Industrial/Warehouse	6	6	15	4	9	5
No premises - Mobile/Work From Home	2					
Office	28	7	5	2		10
Restaurant		1				
Retail / Shop	10	3	1		2	4
<b>Total</b>	<b>47</b>	<b>17</b>	<b>21</b>	<b>6</b>	<b>11</b>	<b>19</b>

Source: Icen analysis of Business Survey Data

**13.148** A clear majority of business report their existing premises as meeting their current needs (103 overall). Of the total number of businesses surveyed, 34 reported that their existing premises did not currently meet their needs however, only 15 of these were looking to relocate to a different premises because of this, 2 of these businesses currently occupy the largest premises type exceeding 10,000sq.m.

**13.149** Respondents answering option number 3 made additional comments regarding lack of availability of new premises, high costs associated with moving and general lack of funds to afford higher rents as reasons why they were planning to remain in their existing premises. Businesses answering option 4 cited factors such as small size, inappropriate location of premises and access difficulties as a reason for moving. A theme raised amongst these businesses was that the City Centre Clean Air Zone has made car access and parking difficult for their staff and customers with 5 respondents citing this as the main reason for relocation.

**Table 13.39 Premises meeting existing needs**

Type of premises	1. Yes, they meet our current needs only	2. Yes, they meet our current and foreseeable future needs	3. No they don't meet our current needs, but we plan to remain	4. No they don't meet our current needs and we are looking to relocate
Hotel/ Conference Centre	1			
Industrial/ Warehouse	12	15	10	8
No premises - Mobile/Work From Home	5	9	2	
Office	17	27	5	5
Restaurant		1		
Retail / Shop	9	7	2	2
<b>Total</b>	<b>44</b>	<b>59</b>	<b>19</b>	<b>15</b>

Source: Icen analysis of Business Survey Data

**13.150** Despite not all businesses reporting a desire to move, when respondents were questioned on if they would desire more or less space within their premises 50 businesses reported wanting larger space with only 2 businesses requiring space that is smaller than their existing premises.

**13.151** Interestingly, amongst those businesses who currently have no premises as a result of mobile/homeworking, 6 reported wanting a larger workspace. This potentially indicates a demand for small scale workspaces that would accommodate smaller numbers of people.

**Table 13.40 Need for space by type of premises**

Type of premises	Much bigger	A little bigger	About the same	A little smaller	Much smaller	Don't know/not sure yet
Industrial/Warehouse	8	14	10			
No premises - Mobile/Work From Home	3	3				1
Office	5	10	13	1	1	2
Restaurant						1
Retail / Shop	1	6	3			3
<b>Total</b>	<b>17</b>	<b>33</b>	<b>26</b>	<b>1</b>	<b>1</b>	<b>7</b>

Source: IcenI analysis of Business Survey Data

**13.152** As seen in Table 13.10 most of the businesses surveyed would look for new premises either larger than their existing premises or approximately the same size. This is split across existing premises sizes shows that even in the higher space ranges (10,001 sq. m+) occupiers are still looking for larger spaces. Respondents made additional comments regarding a lack of supply of larger premises that would suit their additional needs. This demonstrates a level of demand of floorspace of all sizes to accommodate growing businesses.

**Table 13.41 Need for space by size of premises**

Size of premises	Much bigger	A little bigger	About the same	A little smaller	Much smaller	Don't know/not sure yet
0-500 sq. m	4	12	11		2	4
501-1,000 sq. m	7	6	9			
1,001-5,000 sq. m	3	4	2		1	
5,001-10,000 sq. m	1	5	1			1
10,001 sq. m+	3	6	4	1		
<b>Total</b>	<b>18</b>	<b>33</b>	<b>26</b>	<b>1</b>	<b>3</b>	<b>5</b>

Source: IcenI analysis of Business Survey Data



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### **Key Points: Business survey**

*The most common type of premises occupied by businesses responding to the survey were offices (63) and industrial/warehouse space (48).*

*Annual turnover for the companies surveyed ranged greatly with 32 seeing up to £99,000 in turnover per annum and 9 averaging over £10m each year.*

*The majority of businesses surveyed (70) employ 9 people or less, with 40 businesses employing between 10 to 49 people.*

*In regard to goods and services sales, 80 businesses reported selling nationally with 61 of these occupying industrial/warehouse spaces (30) or office spaces (31).*

*Businesses who performed well throughout the pandemic (e-commerce and digital services) were more positive on growth outlook than those who had had difficulties (restaurants and hotels), expecting growth in both business and employee numbers.*

*Businesses tended to occupy office space less than 500sq.m. Of those occupying industrial and warehouse premises, 15 fall in between 1,001-5,000 sq. m with 9 exceeding 10,001 sq. m.*

*A total of 103 businesses reported their existing premises as meeting their current needs, 15 reported that their premises did not meet their needs and they were looking to relocate.*

*Despite this, 50 businesses reported wanting larger premises, with only 2 reporting that less space was desired.*

*Even within in the larger premises sizes of 10,001 sq. m.+, occupiers are still looking for larger spaces.*

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## 14. ECONOMIC ENGAGEMENT

**14.1** Engagement has been undertaken with a series of stakeholders in order to inform considerations of the economic outlook for the city. These include:

- Birmingham City Council Economic Development
- West Midland Combined Authority
- Greater Birmingham and Solihull LEP
- Greater Birmingham Chambers of Commerce
- West Midlands Growth Company

**14.2** The discussion with representatives considered strong sectors for the economy, economic outlook overall, major projects and property market. Of particular note is the LEP focus on the following key sectors: Health Technologies and Life Sciences; Creative Industries; Low Carbon and Energy Technology; Advanced Manufacturing: Food and Drink; and Business, Professional and Financial Services.

**14.3** Sector commentary is as below.

**14.4 Manufacturing:** as a sector overall, there are very strong links into Jaguar Land Rover and other automotive manufacturers driving a wider supply chain of businesses. There is perhaps some uncertainty in the sector and the impact of Covid/Brexit has been adverse. On the other hand, there are positive moves into electric vehicles which have the potential to attract inward investment. The proposed electric battery Gigafactory for example would be a significant catalyst for sector investment. Advanced manufacturing more widely has opportunities in the sub region although the city itself may not be able to host an inward investment of significant scale (such as for modern methods of construction) due to lack of sites. The university cluster that Birmingham offers does however provide a strong basis for both industry collaboration and spin off.

**14.5 Low carbon technologies** or green sector is a focus for growth, spanning a range of industries, well distilled and represented at the Tyseley Energy Park and the Birmingham Energy Innovation Centre which has recently launched. The sector covers engineering to finance and office based activities. As the City and country commits further to net zero ambitions there will be a renewed employment creating emphasis and opportunity. The sector has been supported with significant amounts of innovation funding - grant funding is primarily to target supply side conditions; which can help develop emerging technologies (feasibility work), or help disruptive technology penetrate into the market through demonstration work. There is also increased emphasis on focussing on 'demand side' – getting people/businesses to go ahead and adopt low carbon tech. There are some clear synergies between low carbon and automotive most notably in relation to electric vehicles and batteries.

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- 14.6 Financial and professional services:** Birmingham has become a key centre in recent years for finance and professional services with occupations from Goldman Sachs and HSBC. Activities have increasingly focused on high end financial services and away from call centres that have been pushed out to other regions. Accountancy and legal services have performed well (such as PWC at One Chamberlain Square, Paradise) in the City. This aligns with the wider levelling up agenda and movement of general and government activities from south east based / London basis. There is considered to be strong growth potential in this sector
- 14.7 Life sciences and medical devices** has a recognised cluster around Edgbaston / Birmingham University and connected into the Queen Elizabeth Hospital that is expected to continue to develop. There is reported huge demand on the sector both in development and as a sector to invest in. The West Midlands has a huge head start on the '4 Ds', diagnostics, digital health, devices all underpinned by data. The strength lives in the rich history of the West Midlands manufacturing ability.
- 14.8 Technology and digital** is a strong sector for Birmingham and has had success in attracting business and investment as has the West Midlands as a whole – connecting with computer games development in Warwickshire for example. Digbeth in particular has developed a reputation for a gaming cluster and is supported by university connections.
- 14.9 Cultural** industries have been adversely affected by the Covid-19 pandemic. The 2022 Commonwealth Games in Birmingham provide an opportunity to drive a cultural recovery linking business and tourism through a programme supported by DCMS, Visit Britain and WM Growth. The Games should also bring further life back to the **hotels and accommodation** sector that was delivering positive growth prior to the pandemic.
- 14.10 Construction** employment is expected to be important in the coming decade given huge physical regeneration schemes and challenging housebuilding targets as well as maintenance of existing properties.
- 14.11 Covid** has been a big challenge, but one beneficial factor (with Brexit) is the localisation of supply chains and near shoring. This has the potential to bring large suppliers on board back to the UK and restore some manufacturing on balance.
- 14.12** In terms of the **office** outlook, a number of major developments are now coming on stream such as Arena Central and Paradise. There is good high quality accommodation on the market and some concern that there is a shortage for the next wave of high spec accommodation. The historic pipeline has been interrupted by Covid so there is an element of rebuilding market confidence. The home working agenda is recognised with more hybrid working, potential for taking less space compared to the past and the type of office accommodation being sought is also different – the importance of

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amenity space is heightened including café, gym and breakout, not just bank of desks. The majority of service firms are adopting hybrid working models.

**14.13 Industrial** land requirements result from manufacturing and warehouse requirements. In terms of manufacturing space, inward investors tend to be quite large firms looking for larger sites and purpose built facility. Conversely the city has a lot of older industrial space that is in some instances not fit for purpose. The reality is there is limited space for investment in the city and an excess of older stock. Logistics demand is strong both for serving the inner city and at motorway junctions in particular. The Logistics feedback is that there is a shortage of appropriately priced land and units leaving businesses frustrated at lack of development site opportunities.

**14.14** Major initiatives and developments of particular note include (drawn from the Birmingham Economic Recovery Strategy March 2021):

- Birmingham Smithfield: Working with partners Lendlease to transform a 17ha site delivering 3m sq. ft of new floorspace and 2,000 new homes.
- Snowhill: improving the railway station and connectivity and creating 112,000sqm of new office-led development accommodating over 7,700 jobs and 200 homes.
- Birmingham Curzon: maximising the regeneration and development potential of HS2 with plans in place to provide 36,000 (net) jobs. 600,000sqm employment space, 4,000 new homes and £1.4bn economic uplift.
- The Wheels site has the potential to become an attractive location for high quality employment use which delivers inclusive and sustainable growth, improved transportation and employment and training opportunities. It has the potential to provide 1m sq. ft of new and improved employment-led development, creating up to 3,000 jobs.
- Peddimore has the potential to provide up to 10,000 jobs and drive growth in the logistics and advanced manufacturing sectors.
- Commonwealth Games Trade, Tourism and Investment Programme running over a three-year period from Sep. 2020 to Sep. 2023. Expect the programme to deliver: - 68 additional FDI projects, of which 39 will be in the region. - 3,000 new jobs through FDI, of which 1,700 will be in the region. - £23m additional spend by leisure visitors in the region. - £13m regional sales growth through exports from the region.

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### **Key Points: Engagement**

*Engagement has been undertaken with a series of stakeholders in order to inform considerations of the economic outlook for the city. This identified the following:*

**Manufacturing:** *very strong links into JLR and other automotive manufacturers driving a wider supply chain of businesses. There is perhaps some uncertainty in the sector and the impact of Covid/Brexit has been adverse. However, there are positive moves into electric vehicles which have the potential to attract inward investment.*

**Low carbon technologies** *is a focus for growth, spanning a range of industries as the city and country commits to net zero.*

**Financial and professional services:** *Birmingham has become a key centre in recent years with occupations from Goldman Sachs and HSBC. Activities have increasingly focused on high end financial services and away from call centres. This aligns with the wider levelling up agenda.*

**Life sciences and medical devices** *has a recognised cluster around Edgbaston / Birmingham University and connected into the QE Hospital that is expected to continue to develop. There is reported huge demand on the sector both in development and as a sector to invest in.*

**Technology and digital** *is a strong sector for Birmingham and has had success in attracting business and investment. Digbeth in particular has developed a reputation for a gaming cluster.*

**Cultural industries** *have been adversely affected by the Covid-19 pandemic. The 2022 Commonwealth Games in Birmingham will provide an opportunity to drive a cultural recovery. The Games should also bring further life back to the **hospitality** sector.*

**Construction** *employment is expected to be important given huge physical regeneration schemes and challenging housebuilding targets.*

*There are several major **office** developments coming on stream. There is good high quality accommodation on the market and some concern that there is a shortage for the next wave.*

**Industrial** *land requirements result from manufacturing requirements including inward investment which tend to be quite large firms looking for larger sites and purpose built facilities. Conversely the city has a lot of older industrial space that is in some instances not fit for purpose.*

**Logistics** *demand is strong both for serving the inner city and at motorway junctions in particular.*

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## 15. COMMERCIAL MARKET ASSESSMENT

- 15.1** This section provides an assessment of the commercial property market in Birmingham City focused on offices (including office and research & development) and industrial (including industrial and warehouse/distribution space).
- 15.2** This assessment has been undertaken by Icen Projects working with Siddall Jones commercial property agents based in Birmingham. It uses a variety of sources including take-up and availability data from the CoStar, a commercial property database, along with data from Siddall Jones' own in-house records. It should be noted that CoStar data can be weaker in relation to smaller premises (as these tend not to get reported to the national database due to the local nature of occupier interest) and therefore data on this market section should be treated with caution.
- 15.3** Where relevant Valuation Office Agency (VOA) data is used. It includes a limited review of the latest commercial property literature and feedback from stakeholder/property agent consultation.

### Office

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- 15.4** This section provides an assessment of Birmingham's office market.

### UK Office Market Overview

- 15.5** We first consider national office market dynamics over the last few years. Office markets across the UK demonstrated a level of resilience in 2019 set against a context of wider economic uncertainty linked to Brexit. Knight Frank's UK Cities Overview 2019 reports that leasing volumes finished the year 8% above the long-term trend as business change strategies continued to motivate space moves. Notably, despite concern derived from Britain's impending exit from the EU, foreign investment increased by 10% year-on-year to £1 billion representing 37% of total investment turnover.
- 15.6** Cushman and Wakefield reported that office take-up for the whole of 2020 was 7.7 million sq. ft – comparable to the year after the global financial crisis. During the second quarter, the UK-wide lockdown which saw most offices across the UK become temporarily closed, had a significant impact on take-up. Q2 2020 take-up, therefore, reflected a 73% decrease from the five-year quarterly average. Whilst take-up remained below the long-term average in the second half of 2020, it did grow, particularly in Q4. Furthermore, in the final quarter of 2020, despite being 33% lower than Q4 2019, office investment turnover rose from the previous quarter signalling renewed confidence in the sector with businesses sentiment indicating that the office remains important.

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- 15.7** CBRE report that in the first quarter of 2021 office take-up fell by 75% on the same period in 2020. Furthermore, in the 12-month office take up to Q1 2021 was the lowest on record since 2004 – reflecting the impact of the pandemic over a full year. Office availability increased by 7% over the quarter, reaching 23% above Q1 2020. However, in May 2021, Savills reported that despite decreased take-up on previous years in Q1 2021, there has been a significant increase since the lowest point in the pandemic (Q2 2020) – over 200% in regional office markets (i.e. non-London). This demonstrates that regional office markets were in the process of recovery. Furthermore, despite economic uncertainty, rental growth of prime office space continued to grow in almost all regional markets.
- 15.8** Avison Young's latest reporting states that Q2 take-up across the Big Nine Cities was down 25% on the ten-year average but that activity in city centres was at the highest level since Q1 2020. Based on client feedback, they suggested that serious return to of office activity would happen in the second half of 2021. However, they went on to say that there would be a sustained increase in homeworking relative to pre-pandemic levels and that this, along with companies looking to cut costs, would lead to further sub-let space coming to the market.
- 15.9** Evidence from a forthcoming CBRE survey of corporate occupiers in EMEA also points to a substantial increase in remote working, with over half of companies expecting to move towards a more distributed pattern of work. Almost 70% of respondents suggested that they will allow employees to work flexibly in future, which suggests that the physical office will become less important for some in the future. However, a shift towards lower office attendance may be counteracted by more generous typical densities as firms move towards a higher proportion of team space, breakout and event areas. Therefore, the net impact on office demand is uncertain.

#### **Birmingham Office Market – Agents View**

- 15.10** Historically, there was a lack of office supply in Birmingham however this changed. At the moment supply has improved, but there is no risk of oversupply and demand generally continues to outstrip supply. Demand for office space is also being driven by the fact that the talent pool has moved out of London and a number of businesses and sectors are looking at making their operations more regionally focussed, making it a good time for cities such as Birmingham. The planned construction of HS2 is also likely to be a driver for more Grade A office space. There is also likely to be pent up demand post Covid as many companies are unsure of their outlook and requirements.
- 15.11** The Office market in Birmingham was strong prior to the Covid-19 Pandemic with a trend for companies taking smaller high-quality space, this trend has been accelerated by the pandemic. Historically, the quality of office stock was sub-standard compared to London, however this is changing with a number of high-quality Grade A buildings coming forward. In addition, the emphasis is no longer on the building itself, a holistic view is now taken on the area(s) around the building, the amenities on offer, and the local community. There is an increasing demand for communal and

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events space within buildings, such as office lounges, terraces and improved reception/ground floor areas to improve the user experience.

- 15.12** Partially as a result of permitted development conversions of offices to residential use, there is not a high amount of secondary grade office space. Furthermore, there are some concerns regarding the lower grade office stock that remains. The demands for higher-quality space translates to higher refurbishment costs. As a result, it may be unviable to refurbish lower grade buildings and redevelopment may need to be considered.
- 15.13** Evidence from local agents indicates that there continues to be a demand for smaller units for local businesses. It is thought this is due to the productivity and social benefits (particularly for more junior staff) which come having a dedicated office space, rather than all working remotely.
- 15.14** Demand for flexible office space continues to increase and a number of new developments that are coming forward include one or more floors of flexible office space. This can either provide opportunities for smaller businesses or to provide flexibility to businesses within a building who are expanding and require additional floorspace at short notice or require overflow space.
- 15.15** **KWB**, a Birmingham based Commercial Property Agent, reporting provides the following information;
- 15.16** Office lettings of 100,000+ sq. ft are a common fixture in Birmingham, which often represent significant inward investment or a major office space consolidation. One such deal will be the Department for Transport (DfT), which is set to open a headquarters office in Birmingham City Centre, for which, it is understood, the requirement is between c. 100,000-150,000 sq. ft.
- 15.17** In April, it was revealed that international banking giant, Goldman Sachs, would be opening a Birmingham office in Q3 2021. This may well provide the Birmingham market with one of its largest transactions this year. Although the size of the requirement is not currently known, according to the bank, the office will eventually house “several hundred”.
- 15.18** There are also plenty of businesses actively seeking mid-sized office space, with at least seven or eight enquiries for 10,000+ sq. ft that are currently in the marketplace, with some significantly larger than that.
- 15.19** Unsurprisingly, serviced offices took a major hit over the past 12 months. However, serviced office operators have been seeing occupiers flooding back, earlier and faster than expected. This is encouraging for the office market as a whole, especially when considering the volume of Birmingham city centre office space let to serviced office operators.

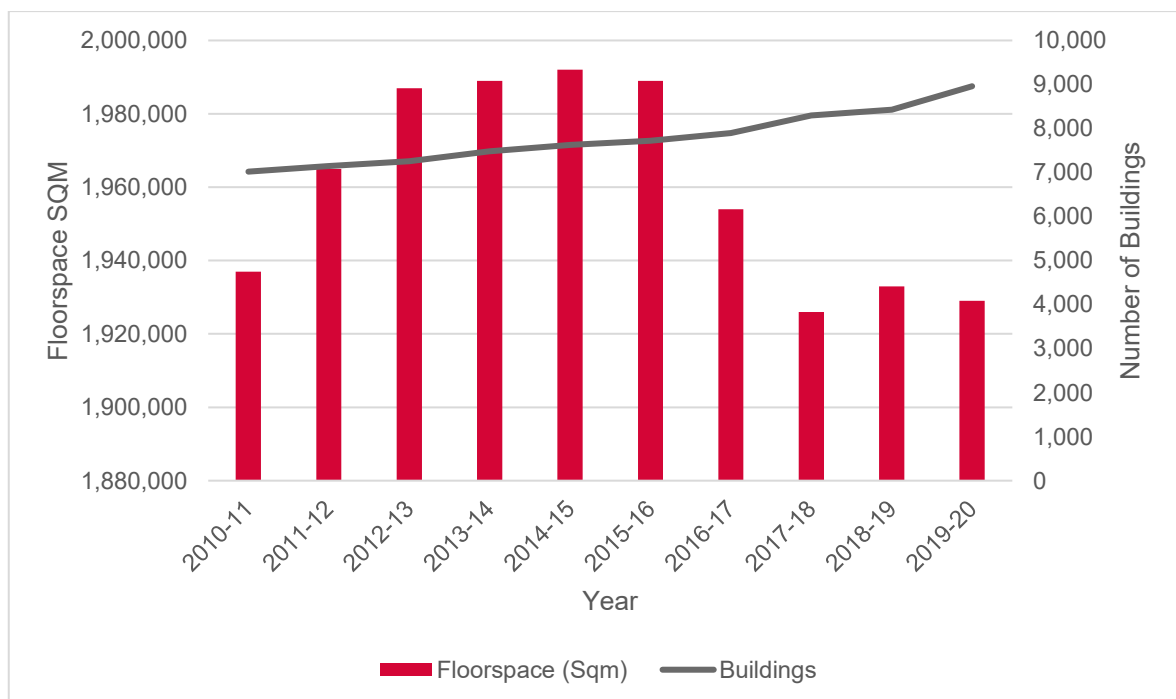


**15.20** There are several new build office buildings recently completed and still underway. This includes 218,000 sq. ft of new high quality office space in Birmingham city centre in an as yet unnamed building, to be situated between the City and the Peace Gardens. Also moving forward are plans to build the next office building at Arena Central, 5 Centenary Square, with plans approved for 264,000 sq. ft of office floorspace, which has received strong interest from prospective tenants. Other notable office developments currently under construction in the City include: 103 Colmore Road, a 26-storey, 230,084 sq. ft office building on the former site of NatWest Tower; and One Centenary Way, a 13-storey, 280,000 sq. ft office building on the new Paradise development.

**Office Stock**

**15.21** The VOA<sup>32</sup> provide information on the number of rateable office properties by administrative area for period between 2001 and 2019. In Birmingham, it has been recorded that for the year 2019/20, there were 8,960 office properties providing 1,929,000 sqm of office floorspace in total. This makes up 29% of total floorspace across the West Midlands.

**Table 15.1 : Office floorspace and number of buildings over time 2010-2020**



Source: Icen Analysis of VOA data

**15.22** The total amount of office floorspace in Birmingham remained relatively stagnant between 2010/11 and 2019/20 but since its peak in 2014/15 has fallen by 3.2% which may be influenced by conversions to residential outweighing gains in new completions, as well as possibly HS2 site

<sup>32</sup> VOA: Non-domestic rating: stock of properties including business floorspace, 2019

clearance. On the other hand, the number of office properties rose gradually by around 28% between 2010/11 and 2019/20. This is perhaps a surprising result given other evidence in terms of losses to residential and gains in larger buildings.

**15.23** The table below compares the percentage change in office floorspace in Birmingham with that in other key regional English and Welsh cities.

**15.24** It can be seen that unlike in Birmingham, office floorspace in Manchester grew significantly between 2010/11 and 2019/20. However, office floorspace in Bristol, Liverpool and Newcastle shrank by even more than in Birmingham since 2014/15.

**Table 15.2 Percentage Change in Office Floorspace – Birmingham Vs Key Regional Cities**

	2010/11 – 2019/20	2014/15 – 2019/20
<b>Birmingham</b>	-0.4%	-3.2%
<b>Bristol</b>	-4.6%	-8.3%
<b>Leeds</b>	1.7%	0.9%
<b>Manchester</b>	7.0%	1.6%
<b>Cardiff</b>	2.3%	1.0%
<b>Liverpool</b>	-3.2%	-10.0%
<b>Newcastle</b>	-1.6%	-4.7%

Source: Icen Analysis of VOA data

### Key Office Market Indicators

**15.25** In October 2021, office vacancy rates in Birmingham City were higher than across the comparator areas. However, they were lower in the 5-year, 10-year and all-time averages for the city. Importantly, the 2021 vacancy rate in Birmingham city was similar to the all-time average for the UK. This suggests that, overall, the office market in Birmingham is not particularly constrained or oversupplied and has fared relatively well in the pandemic as far as current data is able to report.

**Table 15.3 Vacancy Rate**

	2021	5-year average	10-year average	All-time average (Since 2004)
<b>Birmingham City Authority Area</b>	7.7%	8.4%	10.5%	11.9%
<b>Birmingham Office Market Area</b>	6.0%	6.7%	8.9%	10.3%
<b>West Midlands</b>	5.1%	5.3%	7.3%	8.6%
<b>UK</b>	6.2%	5.3%	6.5%	7.1%

Source: Icen Analysis of CoStar data

**15.26** In October 2021, average office rental prices in Birmingham City are £19.69 per SF. This is significantly higher than the wider Birmingham office market area (defined by CoStar as Birmingham,

Solihull, Walsall, Sandwell, Dudley and Wolverhampton) and the West Midlands but lower than for the UK. Average rents in Birmingham City are higher than the historic averages showing demand has continued to improve.

**Table 15.4 Inflation Adjusted Average Rental Price (£ per SF)**

	2021	5-year average	10-year average	All-time average (Since 2004)
<b>Birmingham City Authority Area</b>	£19.69	£19.13	£18.18	£19.55
<b>Birmingham Office Market Area</b>	£17.66	£17.24	£16.42	£17.78
<b>West Midlands</b>	£15.22	£15.14	£14.60	£16.45
<b>UK</b>	£28.65	£29.81	£28.45	£29.01

Source: Icen Analysis of CoStar data

- 15.27** The figure below shows the percentage growth in inflation adjusted average rents in Birmingham City and wider comparator areas. It can be seen that price growth has been consistently strong in Birmingham City, even in the last 2 years, since the onset of the Covid-19 pandemic. This strong price growth is likely to sustain developer interest in the Birmingham City office market.

**Table 15.5 Inflation Adjusted Average Rental Price Growth**

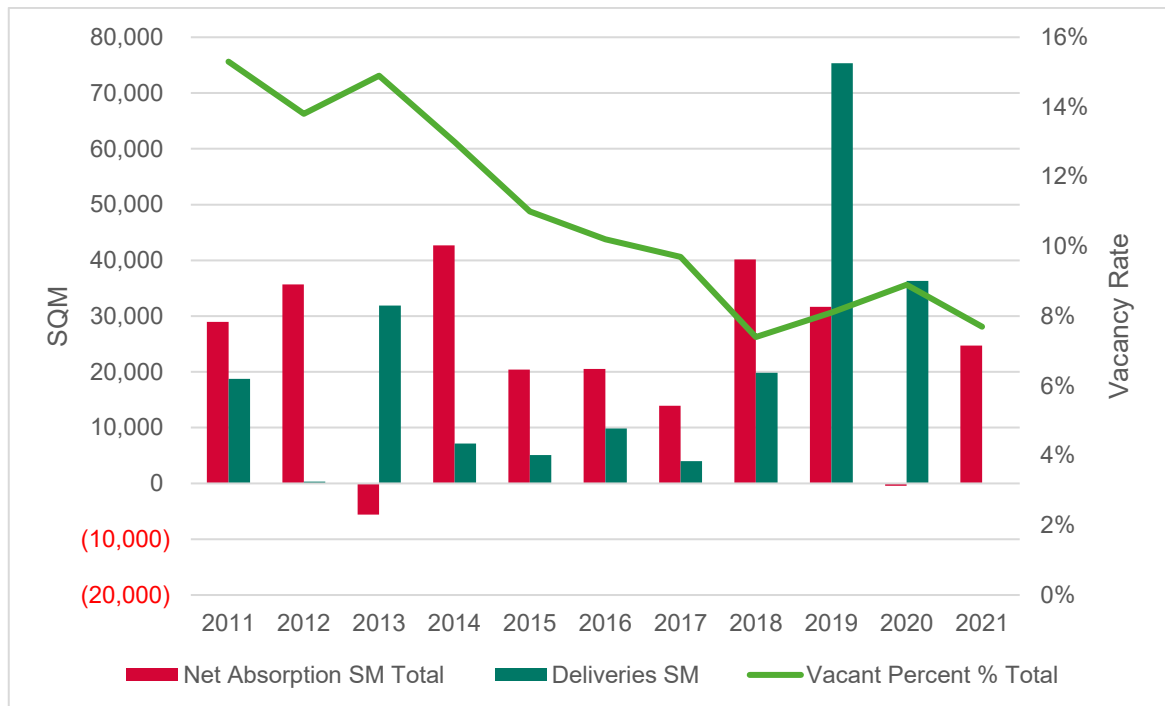
	Birmingham City Authority Area	Birmingham Office Market Area	West Midlands	UK
<b>2-year growth</b>	4.8%	3.8%	1.2%	-4.9%
<b>5-year growth</b>	7.9%	7.9%	4.0%	-7.6%
<b>10-year growth</b>	8.0%	5.4%	1.5%	16.1%

Source: Icen Analysis of CoStar data

### Office Net Absorption, Deliveries and Vacancy Rates

- 15.28** CoStar provides data on net absorption. This describes the net change in available space which is calculated by deducting the space vacated by tenants and made available within the local market from the total space which becomes occupied (or is demolished). A positive net absorption figure indicates strong demand and generally leads to a falling vacancy rates (unless deliveries are high). On the other hand, a negative net absorption figure indicates weaker demand and generally leads to a rising vacancy rate.
- 15.29** The figure below shows that net absorption in Birmingham City was strong in 2018 and 2019 (pre-pandemic) before becoming negative in 2020 due to lockdown induced office closures. Whilst down in 2019, deliveries remained strong in 2020. Consistently positive net absorption led to decreasing vacancy rates between 2011 and 2018. In 2019, the large quantum of deliveries led to a slightly increased vacancy rate.

**: Net Absorption, Deliveries and Vacancy Rates of Office Floorspace in Birmingham City 2011-2021**



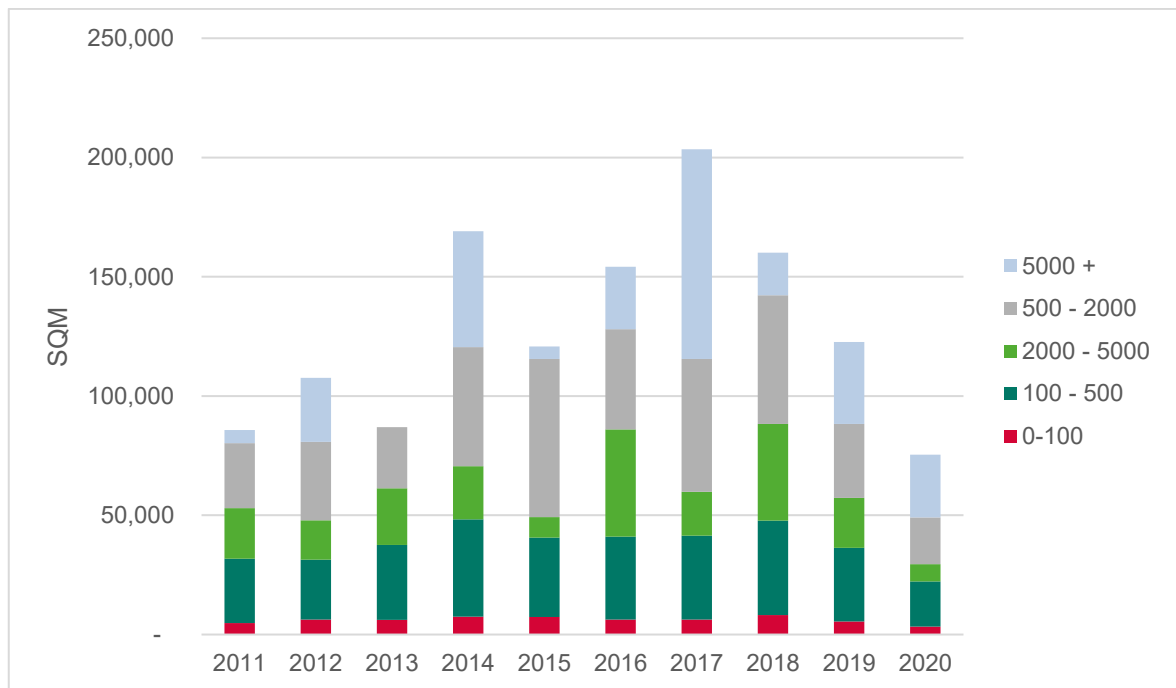
Source: IcenI analysis of CoStar data

**15.30** This analysis highlights consistently strong demand in the Birmingham City office market. Over the last 3-4 years, delivery rates have kept up with generally strong demand maintaining the vacancy rate at a healthy level. This is likely to need to continue to prevent the market becoming constrained.

**Office Leasing Activity**

**15.31** The figure below shows leasing activity (sqm of floorspace leased) in Birmingham over the last 10 years by size band. It can be seen that leasing activity generally grew between 2011 and 2017. However, between 2017 and 2020 leasing activity fell significantly. Whilst leasing activity fell across all size bands, a significant proportion of this was due to decreases in the 5,000+ sqm category.

**Table 15.6 : Leasing Activity by Size Band (Sqm)**



Source: IcenI analysis of CoStar data

**15.32** The figure below shows that the amount of leasing activity of smaller floorspace (between 0 and 500 sqm) is consistent across the three time periods considered. In 2020, the percentage of leasing activity for space between 500 and 5,000 sqm was lower than over the last 10 years and last three years. This was offset by a much higher percentage of leasing in floorspace over 5,000 sqm. Whilst the proportion of leasing activity in each size band is influenced by the proportion and availability of stock in each size band, it provides an indication of requirements.

**Table 15.7 Percentage of Leasing Activity by Size Band**

	0-100 sqm	100 – 500 sqm	500 – 2,000 sqm	2,000 – 5,000 sqm	5,000 + sqm
<b>2020</b>	4%	25%	26%	10%	35%
<b>2018 to 2020</b>	5%	25%	29%	19%	22%
<b>2011 to 2020</b>	5%	25%	31%	17%	22%

Source: IcenI analysis of CoStar data

**Office Availability**

**15.33** Here the availability of office floorspace is assessed by size and location. This analysis helps build a picture of the sizes of offices required and the locations where the office market is particularly constrained or over supplied. This analysis considers existing buildings only (as opposed to proposed, under construction and under renovation buildings).

**15.34** The table below shows availability rates by typical floor size band where typical floorspace size is the size of floorplate which is most common in a given building. This provides an indication of the

size bands for which there are constraints in the market. It can be seen that the overall availability rate is 10.2% which has been driven upwards by the high availability rate (13%) of space in properties with a typical floor size of 500-2,000 sqm. The most constrained size bands are 0-100 sqm with an availability rate of 2.8% and to a lesser extent 2,000-5,000 sqm and 5,000 + sqm with availability rates of 5.4% and 4.4% respectively. As noted previously the lower floor sizes tend to have weaker CoStar reporting so availability may be underestimated, however feedback from agents does indicate very strong levels of demand in this segment.

**Table 15.8 Availability Rate by Typical Floor Size Band**

Typical Floor Size Band	Available SQM	Total SQM	Availability Rate
<b>0-100 sqm</b>	2,480	88,449	2.8%
<b>100 - 500 sqm</b>	67,945	712,417	9.5%
<b>500 - 2,000 sqm</b>	186,594	1,440,144	13.0%
<b>2,000 - 5,000 sqm</b>	26,656	493,569	5.4%
<b>5,000 + sqm</b>	3,323	75,720	4.4%
<b>Total</b>	286,999	2,810,298	10.2%

Source: Icen analysis of CoStar data

### City of Birmingham Sub-Markets

**15.35** CoStar identifies the following sub-markets within the City of Birmingham:

- **City Core**
- Brindley Place
- Eastside
- Edgbaston
- Gun Quarter
- Jewellery Quarter
- New Street Station
- **Outer Birmingham**

**15.36** The sub-markets which are not bold make up the sub-market cluster which we have named Outer Central Ring.

**15.37** Below is a map showing the location of the sub-market areas.

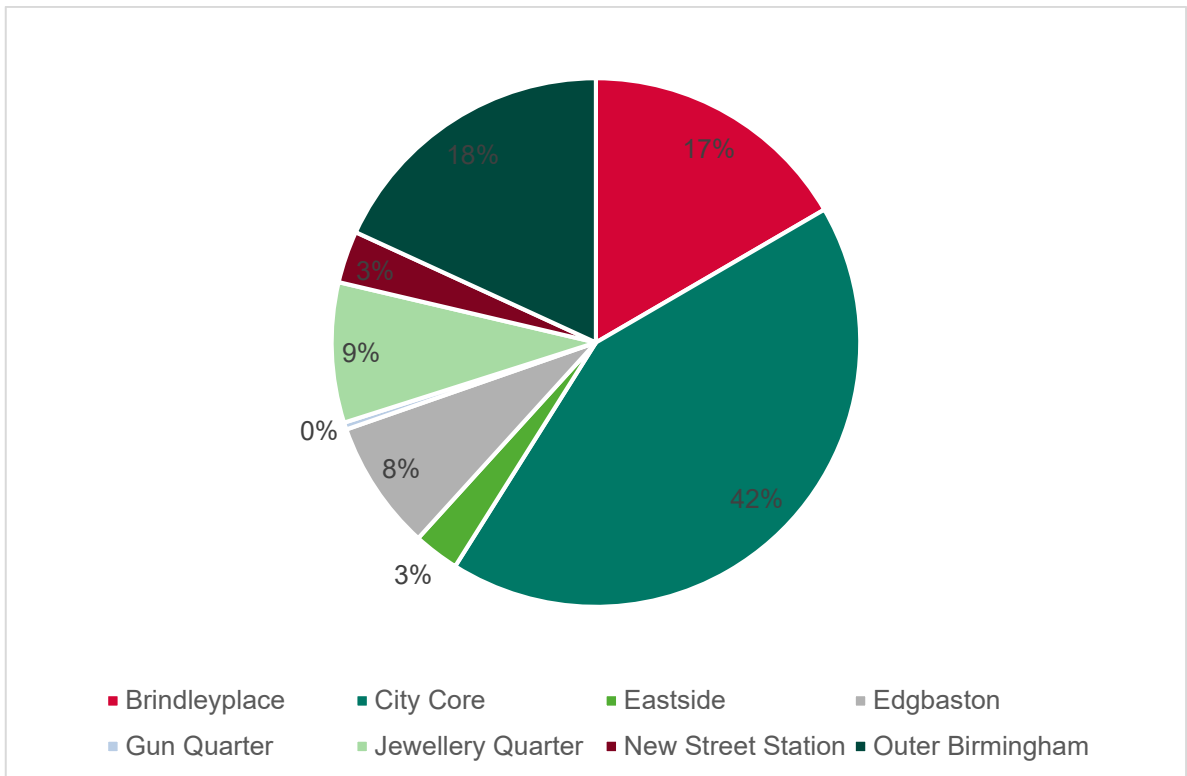
**Table 15.9 : Map of Birmingham Office Sub-Market Areas**



Source: CoStar

- 15.38** Leasing activity (SQM of floorspace leased) between 2011 and 2021 has been split by sub-market to get an idea of the geographical distribution of demand across Birmingham. It should be noted that some properties are not reliably assigned a sub-market by CoStar and hence have been excluded from the analysis. Therefore, we have presented the analysis in percentage terms.
- 15.39** The highest percentage of leasing activity in office floorspace across Birmingham City has been within the City Core (42%). 18% of leasing was in Outer Birmingham. 82% was in central areas, 40% of which was outside the City Core. 17% of leasing activity was in Brindley Place.

**Table 15.10 – Leasing Activity by Sub-market**



Source: CoStar Commercial Property Data (2020)

**15.40** The tables below show the percentage of leasing activity (sqm of floorspace) in each size band by sub-market. This should not be compared with the split for Birmingham as a whole due to inconsistencies between the two datasets. Within the City Core there was a lower percentage of leasing of smaller floorspace (0-500 sqm) compared to the Outer Central Ring and Outer Birmingham. There was a higher percentage of leasing of mid-sized (500-5,000 sqm) floorspace but a lower percentage of larger 5,000+ sqm in the City Core compared to the Outer Central Ring.



**Table 15.11 - Leasing Activity (SQM of floorspace) by Size Band**

	0-100	100 - 500	500 – 2,000	2,000 – 5,000	5,000 +
City Core	2%	22%	34%	21%	20%
Brindleyplace	1%	12%	33%	10%	45%
Eastside	2%	20%	14%	31%	33%
Edgbaston	2%	36%	39%	16%	6%
Gun Quarter	1%	55%	44%	0%	0%
Jewellery Quarter	16%	46%	23%	7%	8%
New Street Station	5%	22%	30%	43%	0%
Outer Central Ring	5%	26%	30%	15%	24%
Outer Birmingham	7%	31%	34%	21%	6%

Source: CoStar, Icen Analysis

**15.41** Outer Birmingham had even higher percentages of small-sized floorspace leasing than the Outer Central Ring. Leasing of mid-sized floorspace in Outer Birmingham was lower than the Outer Central Ring but similar to the City Core. Most significantly, the percentage of large leases was much lower in Outer Birmingham than both central areas.

**15.42** The figure below shows the availability rate in each of Birmingham’s Sub-Market areas. It can be seen that availability is low in Outer Birmingham compared to most of the central areas aside from Gun Quarter. This suggests that the market is more constrained outside of the city centre. However, by comparing their availability rates to the overall rate, it can be seen that some central areas are relatively constrained including Gun Quarter and New Street Station.

**Table 15.12 - Availability Rate by Sub-Market**

Sub-Market	Available SQM	Total SQM	Availability Rate
<b>City Core</b>	<b>143,716</b>	<b>837,944</b>	<b>17.2%</b>
Brindleyplace	39,861	302,487	13.2%
Eastside	8,581	111,277	7.7%
Edgbaston	24,427	233,152	10.5%
Gun Quarter	1,910	64,740	2.9%
Jewellery Quarter	23,796	271,830	8.8%
New Street Station	7,827	153,753	5.1%
Outer Central Ring	<b>106,403</b>	<b>1,137,239</b>	<b>9.4%</b>
Outer Birmingham	<b>36,881</b>	<b>833,796</b>	<b>4.4%</b>
<b>Total</b>	<b>286,999</b>	<b>2,810,298</b>	<b>10.2%</b>

Source: Icen analysis of CoStar data

## Industrial

**15.43** This section provides an assessment of Birmingham’s industrial market where industrial refers to General Industrial, Light Industrial and Storage and Distribution property. These uses align with the former ‘B Class’ which now includes Class E(g)(iii). CoStar does not operate by Use Class but rather

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property type and is more closely aligned to the VOA office / industrial classifications than the Use Class Order.

### **Industrial Market Overview**

- 15.44** The pandemic and the UK's exit from the EU have highlighted the important role of the logistics sector in keeping food and goods moving. 2021 has brought further focus on building more resilient supply chains, increasing stocks and diversifying suppliers to prevent future disruptions. This restructure of logistics networks will require additional warehousing space in the UK. This pattern is expected to continue into 2022 with all-time highs for industrial rents and low vacancies as deliveries fail to keep up with demand.
- 15.45** The market for logistics space is being buoyed by expanding demand from online retailers who are benefiting from the lasting effects of COVID-19 on consumer behaviour. Retailers wanting to preserve market share will need to continue to secure warehouse space to expand their online channels.
- 15.46** Savills Big Sheds Briefing (Jan 2021) reports that 2020 broke all previous records with new leases signed for 50.1 million sq. ft of warehouse space, 12.7 million sq. ft ahead of the previous record set in 2016 and comprising 165 separate transactions, breaking the previous record of 163 set in 2014. Whilst it is important to say that a large proportion of this space was leased to Amazon (25%) with a number of leases on terms less than five years (12%), take-up would still break new records even if Amazon and short-term deals were removed from the time series. Another key trend in 2020 and 2021 has been the surge in the take-up of units over 500,000 sq. ft. Given the number of businesses currently in the market for units over 500,000 sq. ft, this is a trend was expected to continue into 2022.
- 15.47** Cushman and Wakefield reported that the industrial and logistical sector showed continued its 2020 momentum into 2021, with a 115% increase in take-up on Q1 2020 and 55% rise on the ten-year average. They also reported that retail, parcel delivery and third part logistics accounted for 70% of quarterly take-up. Looking forward, Cushman and Wakefield predicted that 2021 will be another strong year for logistics and that there is no indication of slow down moving into 2022 and beyond.

### **Birmingham Industrial Market – Agents View**

- 15.48** Engagement with Savills and Siddall Jones Commercial Property agents based in Birmingham provides the following information.
- 15.49** There is exceedingly strong demand for all types of industrial space and a severe lack of availability most applicable to quality new space for trade counter, general manufacture and warehouse. Manufacturing continues to be a key player in the Birmingham market and is less footloose than warehousing (particularly for larger units). Last mile as well as strategic warehousing is seeing strong

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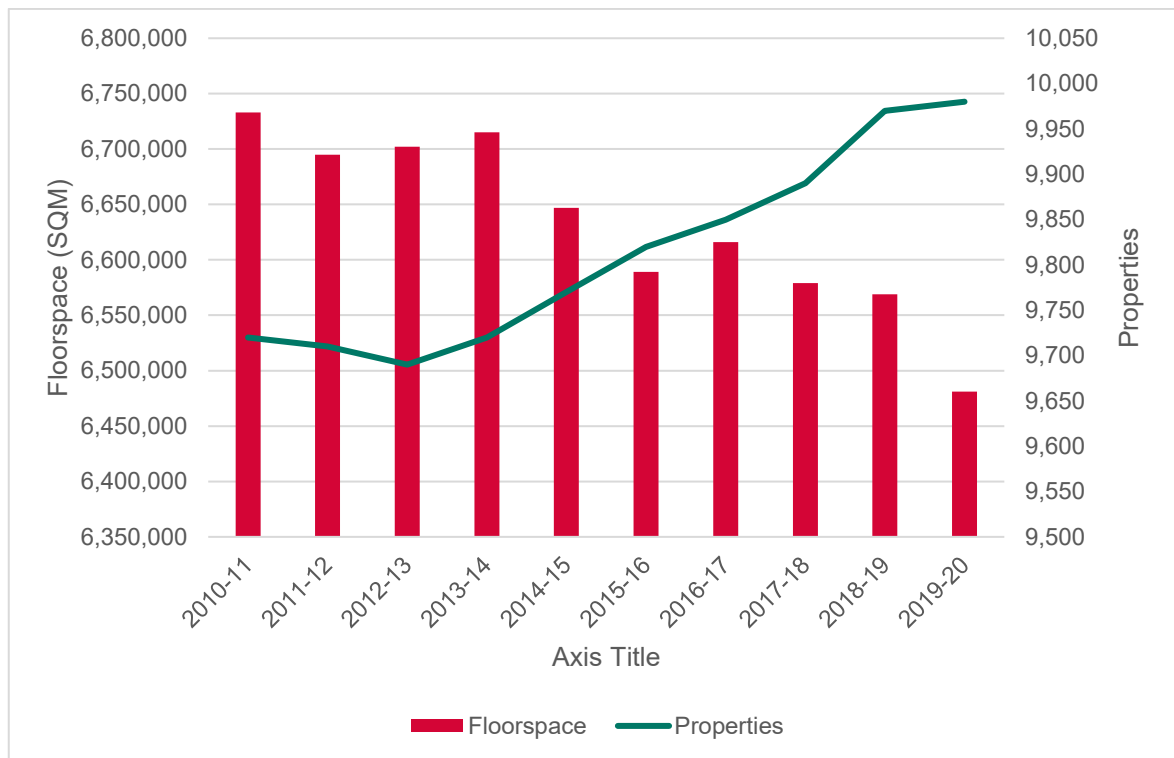
demand. Viability can also be tighter for the redevelopment of general manufacturing units compared to warehousing space. There is some older stock in the market that needs replacing which is occurring through natural market activity in some areas however there is a desperate need for new land for stock. Delays in bringing forward new sites such as Peddimore has tightened supply further.

- 15.50** The pandemic has accelerated demand generally for industrial stock through a combination of increasing logistics demand driven by e-commerce and stockpiling, alongside some resurgence in manufacturing and general industrial for smaller businesses potentially through near shoring, although there is uncertainty around the outlook for the automotive supply chain at present. There appears to be no respite for the levels of demand across the board with rental price increases expected which may support the viability of some regeneration of stock but is also likely to push smaller business out of the marketplace.

### **Industrial Stock**

- 15.51** The VOA provide data on the total amount of industrial floorspace and total number of properties by administrative area. The data for Birmingham is presented in the figure below.
- 15.52** In Birmingham, it has been recorded that for the year 2019/20, there were 9,980 industrial properties providing 6,481,000 sqm of floorspace in total. This makes up a third of total floorspace across the West Midlands.
- 15.53** It can be seen that between 2010/11 and 2013/14 floorspace levels were relatively constant before gradually dropping off to current levels. On the other hand, the number of properties gradually increased since 2013. This suggests that properties are becoming smaller - although this contrasts to a degree with the reality of significant increases in larger unit stock delivered for example around Minworth and demand for both large scale and smaller units.

**Table 15.13 : Industrial Floorspace and Number of buildings - 2010-2020**



Source: VOA

**15.54** The table below shows how industrial floorspace has changed since 2010/11 and 2013/14 compared to the West Midlands and the UK. It can be seen that over both time periods floorspace change was against the trend seen across the West Midlands and the UK. These trends have continued in recent years.

**Table 15.14 - Indexed Industrial Floorspace Change 2010-2020**

	% Change Since 2010/11	% Change Since 2013/14
<b>Birmingham</b>	-3.2%	-3.5%
<b>West Midlands</b>	2.4%	2.6%
<b>England</b>	1.6%	2.0%

Source: VOA

**Key Industrial Market Indicators**

**15.55** In October 2021, industrial vacancy rates in Birmingham City were lower than across the comparator areas and significantly lower than the 5-year, 10-year and all-time averages for the city. Furthermore, the 2021 vacancy rate in Birmingham City was significantly lower than the all-time average for the UK. This suggests that, overall, Birmingham’s Industrial Market is tightly constrained.

**Table 15.15 -Vacancy Rate**

	2021	5-year average	10-year average
<b>Birmingham</b>	2.1%	4.3%	5.0%
<b>West Midlands</b>	3.0%	3.3%	4.3%
<b>UK</b>	3.2%	3.3%	4.7%

Source: IcenI Analysis of CoStar data

- 15.56** In October 2021, average industrial rental prices in Birmingham City are £6.64 per SF. This is higher than for the West Midlands but lower than for the UK. Average rents in Birmingham City are higher than the historic averages.

**Table 15.16 - Inflation Adjusted Average Rental Price (£ per SF)**

	2021	5-year average	10-year average
<b>Birmingham</b>	£6.74	£6.28	£5.75
<b>West Midlands</b>	£6.19	£5.82	£5.40
<b>UK</b>	£7.37	£6.93	£6.38

Source: IcenI Analysis of CoStar data

- 15.57** The figure below shows the percentage growth in inflation adjusted average rents in Birmingham City and wider comparator areas. It can be seen that price growth has been slightly stronger than the comparator areas over the last 2 and 5 years. This price growth may reflect the fact that levels of industrial stock have declined over the last 6 years and vacancy rates have fallen. However, strong price growth should support good conditions for investment in the area looking forward.

**Table 15.17 Inflation Adjusted Average Rental Price Growth**

	Birmingham City Authority Area	West Midlands	UK
<b>2-year growth</b>	7.3%	6.4%	6.2%
<b>5-year growth</b>	21.4%	18.4%	18.1%
<b>10-year growth</b>	26.9%	23.1%	29.1%

Source: IcenI Analysis of CoStar data

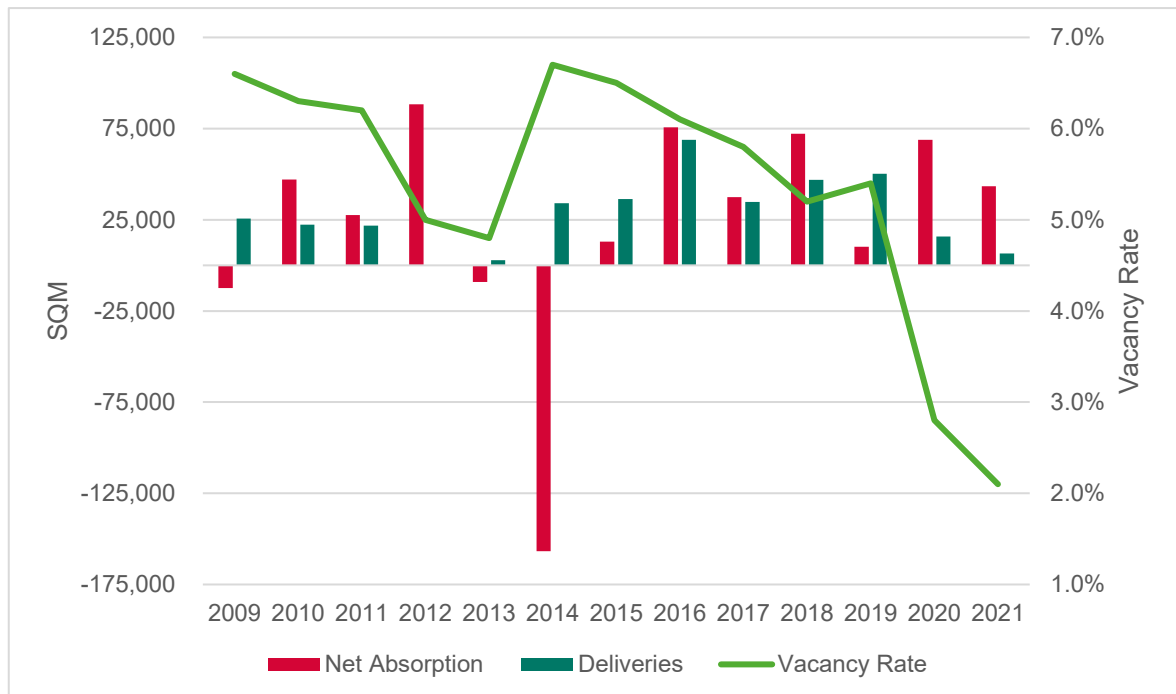
### **Industrial Net Absorption, Deliveries and Vacancy Rates**

- 15.58** CoStar provides data on net absorption. This describes the net change in available space which is calculated by deducting the space vacated by tenants and made available within the local market from the total space which becomes occupied (or is demolished).
- 15.59** A positive net absorption figure indicates strong demand and generally leads to a falling vacancy rates (unless deliveries are high). On the other hand, a negative net absorption figure indicates weaker demand and generally leads to a rising vacancy rate.
- 15.60** Net Absorption has been inconsistent over the past 10 years. The lowest point by far was a large negative net absorption in 2014 of around 160,000 sqm. High peaks can be seen in 2012 (~90,000

sqm), 2016 (~85,000 sqm), 2018 (~70,000 sqm) and 2020 (70,000 sqm). There has also been strong positive net absorption in 2021 to date. Net absorption has been positive since 2015.

- 15.61** Vacancy rates rose to a high of 6.7% in 2014 before strong positive net absorption led to a declining vacancy rate. After a small rise in 2019 due to strong deliveries, the vacancy rate plummeted due to significant net absorption and a lack of deliveries in 2020 and 2021, reaching a low of 2.1%
- 15.62** Ideally property markets operate a 7.5% vacancy or at least a minimum of 5% to enable choice and growth for business. Birmingham has not exceeded 7% in the last decade and now well below 5%.

**: Net Absorption, Deliveries and Vacancy Rates of Industrial Floorspace in Birmingham City 2011-2021**



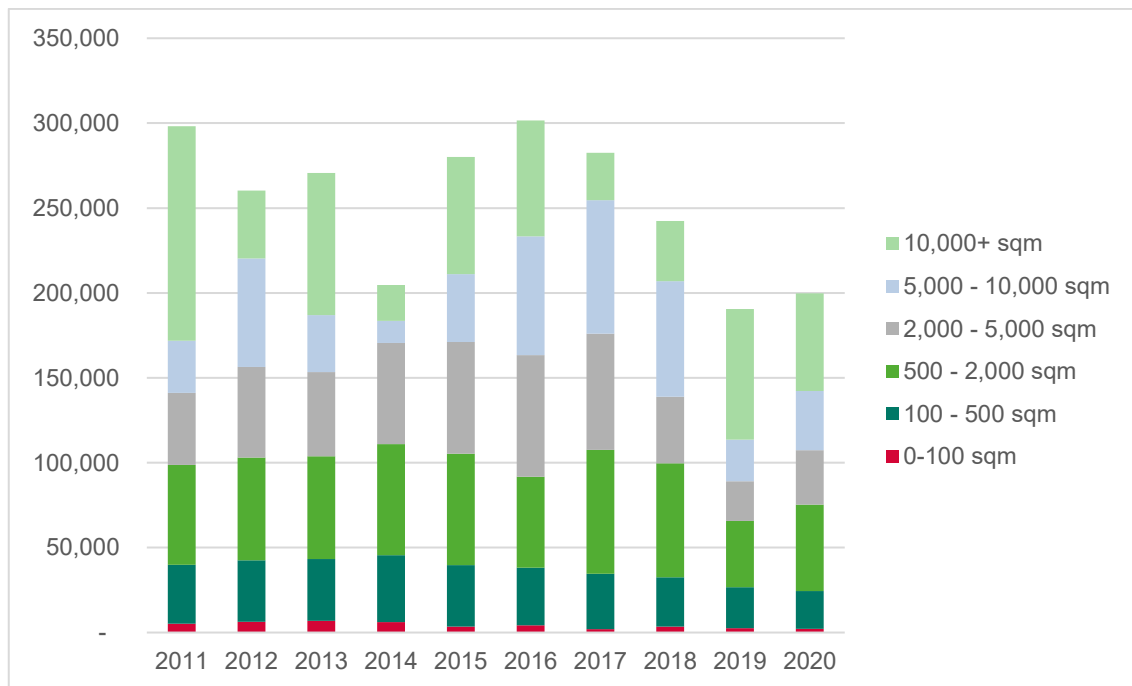
Source: Icenis analysis of CoStar data

- 15.63** This analysis highlights consistently strong demand in the Birmingham City industrial market since 2015. Delivery rates have not kept up with this strong demand, particularly in the last 2 years. It is likely that delivery needs to be accelerated to keep up with strong levels of demand.

**Industrial Leasing Activity**

- 15.64** The figure below shows leasing activity (sqm of floorspace) by year and size band. It can be seen that leasing activity fell from a high in 2011 to 2014 before rising back to 2011 levels in 2016. Between 2016 and 2019 leasing activity declined before a slight resurgence in 2020.

**Table 15.18 : Leasing Activity by Year and Size Band**



Source: IcenI analysis of CoStar data

**15.65** The table below looks more closely at the decline that occurred between 2016 and 2020. It can be seen that all floorspace transacted fell across all unit sizes with mid-sized floorplates having the greatest falls. However in terms of numbers of deals, the smaller units fell considerably with mid-sized units less severely constrained.

**Table 15.19 Decline in Leasing Activity by Size Band 2016 - 2020**

	0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm	5,000 - 10,000 sqm	10,000+ sqm	Total
<b>2016 sqm</b>	4,272	33,842	53,689	71,598	69,847	68,312	301,560
<b>2020 sqm</b>	2,186	22,194	50,970	31,978	34,980	57,387	199,695
<b>% Change</b>	-49%	-34%	-5%	-55%	-50%	-16%	-34%
<b>Absolute Change sqm</b>	<b>-2,086</b>	<b>-11,648</b>	<b>-2,718</b>	<b>-39,620</b>	<b>-34,867</b>	<b>-10,925</b>	<b>-101,865</b>
<b>2016 no.</b>	66	138	62	23	10	3	302
<b>2020 no.</b>	44	84	53	9	5	5	200
<b>% Ch. No.</b>	-33%	-39%	-15%	-61%	-50%	67%	-34%
<b>Absolute Change no.</b>	<b>-22</b>	<b>-54</b>	<b>-9</b>	<b>-14</b>	<b>-5</b>	<b>+2</b>	<b>-302</b>

Source: IcenI analysis of CoStar data

**15.66** The figure below shows the percentage of leasing activity by size of floorspace leased and how this varies for different periods of time. The percentage of floorspace leased was similar at the low end of the size scale (0-500 sqm). The key differences are in the 10,000+ sqm size band where there was a significantly higher percentage of floorspace leased in 2019 and 2020 than for the 2011-2020 period. This suggests that there may be a move to demand for larger floorspace, perhaps linked to the growth of the logistics market in recent years.

**Table 15.20 Percentage of Leasing Activity by Size Band**

	0-100 sqm	100 - 500 sqm	500 - 2,000 sqm	2,000 - 5,000 sqm	5,000 - 10,000 sqm	10,000+ sqm
<b>2020</b>	1%	11%	26%	16%	18%	29%
<b>2019 and 2020</b>	1%	12%	23%	14%	15%	34%
<b>2011 - 2020</b>	2%	13%	23%	20%	18%	24%

Source: IcenI analysis of CoStar data

### Industrial Availability

**15.67** Here the availability of industrial floorspace is assessed by size and location. This analysis helps build a picture of the sizes of offices required. This analysis considers existing buildings only (as opposed to proposed, under construction and under renovation buildings).

**15.68** The table below shows availability rates by typical floor size band, where typical floorspace size is the size of floorplate which is most common in a given building. This provides an indication of the size bands for which there are constraints in the market. It can be seen that the overall availability rate is 3.1%. Whilst still low, the highest availability rate is at properties with a typical floor size of between 5,000 and 10,000 sqm. The availability rate is very low across all other size bands indicating that the market needs more supply of various sized industrial property.

**Table 15.21 Availability Rate by Typical Floor Size Band**

Typical Floor Size Band	Available SQM	Total SQM	Availability Rate
<b>0-100 sqm</b>	329	23,911	1.4%
<b>100 - 500 sqm</b>	11,969	578,012	2.1%
<b>500 - 2,000 sqm</b>	65,519	1,972,675	3.3%
<b>2,000 - 5,000 sqm</b>	55,091	1,747,770	3.2%
<b>5,000 - 10,000 sqm</b>	55,367	1,077,190	5.1%
<b>10,000+ sqm</b>	35,417	1,855,246	1.9%
<b>Overall</b>	223,692	7,272,422	3.1%

Source: IcenI analysis of CoStar data



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## **Key Findings: Commercial Market Assessment**

### **Office**

*The UK office market has recovered relatively well from the Covid-19 pandemic. Whilst property market agents have observed and predict a return to office use, they also predict continually high levels of home working and flexible working. This shift towards lower office attendance is also balanced with a demand for higher quality premises. Overall, the future of office demand is somewhat uncertain.*

*The amount of office floorspace in Birmingham has declined over the last 6 years. This occurred at a lower rate than some key regional cities but at a higher rate than some others.*

*Agent engagement revealed that demand for office space in Birmingham is strong and there is no risk of oversupply. There may also be more demand coming due to regionalisation of businesses, the construction of HS2 and pent up demand.*

*Based on current and recent market signals, Birmingham's office market is not particularly constrained or oversupplied. This is due to the fact that recent delivery rates have been strong. However, demand has also been high which is likely to continue looking forward meaning deliveries need to keep pace.*

*Agent engagement revealed that Large office lets (100,000+ sq. ft) are common in Birmingham. These often represent significant inward investment and are set to continue. However, there is also demand for mid-sized and small office space. More companies are looking for smaller and/or high-quality space whilst the amenities and surrounding area a building has to offer are also becoming more important.*

*Availability rates suggest that the market for very small (<100 sqm) is very constrained whilst the market for 2,000+ sqm is also somewhat constrained.*

*Flexible and/or serviced office space is also an increasing/high demand which is important considering the amount of space currently being let to serviced office operators.*

*Over 80% of leasing activity in Birmingham occurs within central areas (of which 42% is in the 'City Core'. Mid-sized floorspace (500-5,000 sqm) leasing is most focused in the City Core. The 'Outer Central Ring has a particularly high percentage of large (5,000+ sqm floorspace) whilst Outer Birmingham has a very low percentage of this.*

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*Unlike for Birmingham as a whole, availability rates in Outer Birmingham suggest that the office market is somewhat constrained. Some central areas (Gun Quarter and New Street Station) are also relatively constrained.*

### ***Industrial***

*Growth of the UK logistics sector is driving demand for more Storage and Distribution space with take-up exceeding all-time highs.*

*Agent engagement revealed a 'massive demand' for industrial space of all sizes in Birmingham.*

*The amount of industrial floorspace in Birmingham has decreased slightly over the last 10 years (more so over the last 6 years) unlike across the West Midlands and the UK as a whole which have seen growth.*

*Market signals data suggests that Birmingham's industrial market is undersupplied. Demand has been consistently strong in the last 5 years and delivery rates have not kept up (particularly in the last 2 years) leading to declining and hence very low vacancy rates. It is likely that delivery needs to be accelerated to keep up with strong levels of demand and to support employment growth and economic prosperity ambitions.*

*Availability rates are very low across all size bands indicating demand for various sizes of industrial property. However, in the last 2 years, a significantly higher percentage of floorspace leased is floorspace of over 10,000 sqm, compared to over the last 10 years. This may reflect the rise of logistics and the need for large warehousing units.*

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## 16. ECONOMIC OUTLOOK

**16.1** Cambridge Econometrics were commissioned by Icen Projects to provide labour demand forecasts for this study incorporating jobs and GVA projection.

**16.2** In the first instance, a baseline forecast has been developed dated August 2021 that draws on Cambridge Econometrics main econometric model for the UK as a whole (published March 2021). The detailed elements of that outlook are set out below. A second forecast has also been developed as a growth scenario. This considers the feedback from stakeholders in the previous chapter on particular sectors as well as the overall policy landscape and whether such considerations align with the overall baseline outlook and if any adjustments are warranted. The key adjustments, discussed in further detail in the following sections, are:

- **Food and Drink Manufacturing:** adjusted employment growth from continued decline to instead a small recovery to around 3,000 jobs, and then stability thereafter (with high levels of productivity and therefore GVA growth)
- **Automotive Supply Chain and other Advanced Engineering:** selected four broad sectors that best correspond to these technologies: Electronics, Electrical Equipment, Machinery, and Motor Vehicles. The projected baseline decline in employment is adjusted to stable employment numbers from 2022 onwards – however as anticipated high levels of productivity growth remain; we should emphasise that the stable employment shown in these forecasts does correspond to ambitious GVA growth in these sectors.
- **Construction:** driven by major regeneration projects in the pipeline and ambitious housing delivery targets: instead of flat-lining as in baseline, construction employment growth recovers in 2022 and then continues its steady 20-year growth trend in the city for another decade. We think this will flatten off towards the end of the period as the widening use of offsite construction methods shift construction into a more capital intensive and less labour-intensive industry.
- **Warehousing:** shifts in supply chain operation and the growth of ecommerce have rapidly increased demand for warehousing and logistics, and this process is ongoing. Roll out of automation is yet to fully catch up with the growth in demand. The growth for 2022 and 2023 is adjusted upwards – but see employment growth stabilising within the next 5 years as industrial labour intensity decreases.
- **Accommodation:** adjusted the short-term outlook for accommodation to show Commonwealth Games effect in 2022 and then stabilisation around 5,000 jobs from 2024 onwards.

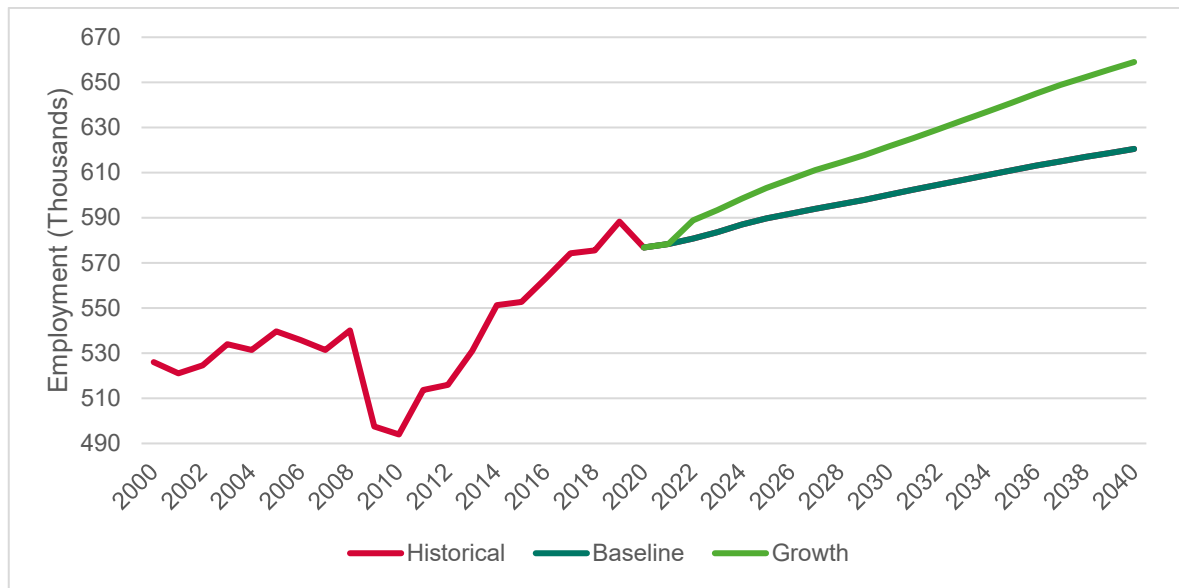
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- **Professional and Business Services:** Particular emphasis will be placed on ensuring that sites are available to support the economic sectors important to the City's economic growth. These include **business, financial and professional services, creative and digital media**. There are eight professional sectors, which have treated for the improved outlook, to increase the growth prospects from 2023 onward. These are: Media, IT services; finance & insurance, real estate; legal & accounting, head offices & management consulting (allowing for greater influence of historic trends); and architecture & engineering, other professional services (again influenced more by historic trend).
  - **Health:** replaced slow reduction in baseline with steady growth that represents more of a continuation of historic trend.
  - **Arts:** growth scenario reduces short-term drop and then reversion to historic growth trend from 2023 onward, as opposed to baseline decline.

## Forecasts

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- 16.3** In this section we have provided the baseline and growth scenario forecasts between 2020 and 2040 (but have provided the forecasts to 2045 in the appendices). It is of note that the longer term the forecast period, the less certainty there is particularly beyond the first 10 years. The COVID pandemic has caused a global, national and local economic contraction through 2020 and it is expected to take a number of years to recover 2019 levels of employment. Long term growth estimates need to consider the recovery period and extent of required recovery (to reach 2019 levels). The chart below reports the baseline and growth scenario forecasts for Birmingham from 2000 onwards, with the growth scenario more positive regarding the pace of recovery.
- 16.4** It can be seen that growth was steady until the 2008 recession when employment numbers fell. From this point employment recovered, peaking in 2019. Both the baseline and growth scenario forecasts estimated that employment dipped in 2020 before starting to rise in 2021. In the baseline scenario it is forecast that employment will return to and exceed pre-pandemic (2019) levels in 2025 before continuing to grow steadily. However, in the growth scenario, a return to pre-pandemic levels of employment is forecast by 2022 and employment will grow at a faster rate up until 2040.

**TABLE 18.1. 2000-2040 EMPLOYMENT, BIRMINGHAM**



Source: Cambridge Econometrics, IcenI Projects analysis

**16.5** The GVA outlook for the two scenarios is reported below. The biggest drivers of GVA growth under the baseline are:

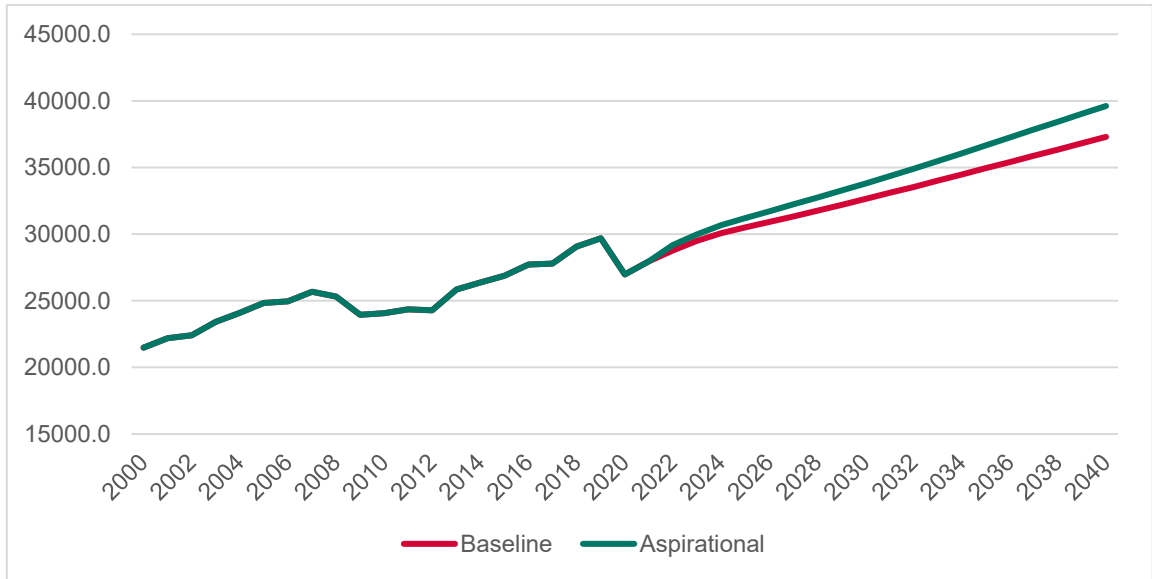
- Education +£987m
- Public sector +£923m
- Health +£860m
- Financial & insurance +£845m
- Food and beverage +£646m
- Retail +£609m
- Construction +£607m

**16.6** The aspirational scenario sees £2,315m in GVA by 2040 or £39,615m rather than £37,300m (47% growth rather than 38%). Construction (+£478m), IT (+£368) and Healthcare (+£349m) see the biggest increases compared to the baseline position.

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## 2000-2040 GVA, Birmingham

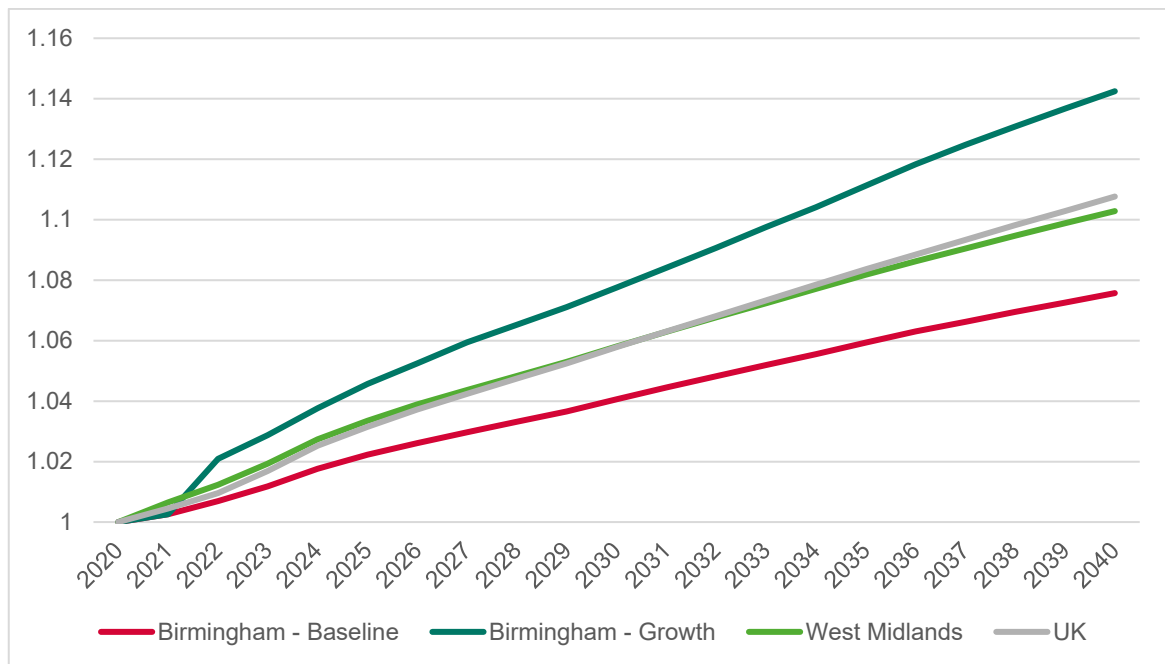
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Source: Cambridge Econometrics, Icen Projects analysis

- 16.7** The chart below compares the indexed employment growth of Birmingham, the West Midlands and the UK from 2020 to 2040.
- 16.8** In the baseline scenario, it is forecast that percentage growth across Birmingham will be much lower than across both the West Midlands and the UK. On the other hand, the growth scenario forecasts that percentage growth in Birmingham will be higher than the comparators.
- 16.9** It is forecast that employment levels across the West Midlands will recover by 2024 and the UK will recover by 2023 quicker than in Birmingham's baseline scenario but slower than the growth scenario. As the West Midlands outlook is unadjusted, in reality a stronger performance from Birmingham would actually lead to an improved outlook overall.

**: 2020-2040 Indexed employment growth**



Source: Cambridge Econometrics, IcenI Projects analysis

**16.10** The table below summarise the overall change by scenario.

**Table 16.1 Employment – 2020 vs 2040 by Scenario**

	2020	2040 Baseline	Baseline Change	2040 Growth	Growth Change
<b>Employment</b>	576,800	620,500	43,700	659,000	82,200

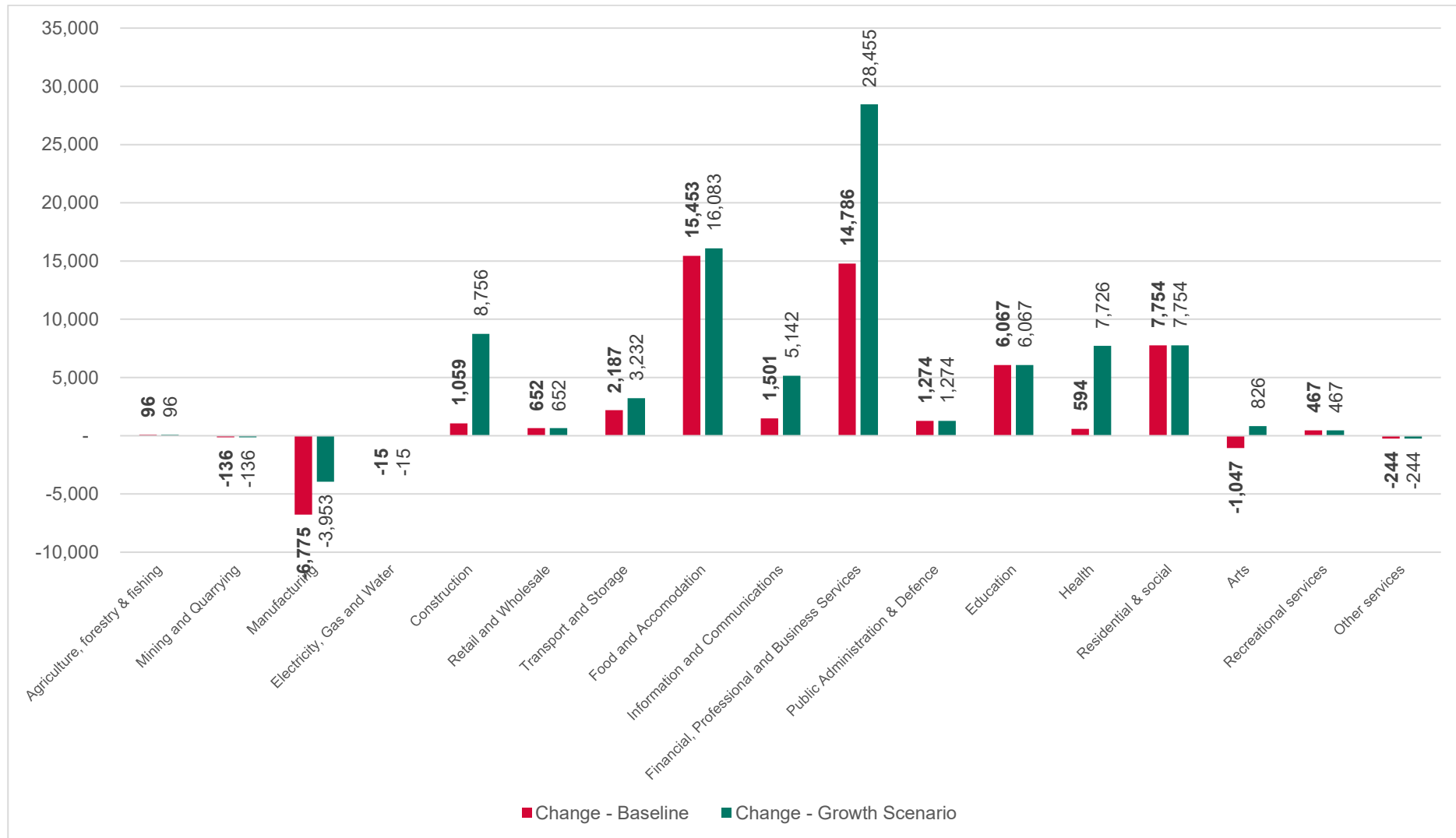
Source: Cambridge Econometrics

**16.11** The figure below provides an overview of the sectoral composition of the forecasts over the plan period 2020-2040. For the baseline scenario it can be seen that the largest growth sectors are forecast to be Food and accommodation and Financial, professional and business services which accounts for over a third of growth each. In the growth scenario, the forecast increase in Financial, professional and business services employment is projected to be nearly double that of the baseline scenario (reflecting Birmingham’s historical performance in this sector). Other sectors which are expected to grow significantly in both scenarios are Residential and social (~8,000 jobs) and Education (~6,000 jobs).

**16.12** Sectors which are forecast to grow significantly in the growth scenario but not in the baseline scenario are Health (given recent and planned hospital openings and growing population), Construction (given planned major regeneration projects and ambitious housing delivery targets) and Information and communications (given Birmingham’s historical performance and aspirations in this sector).

**16.13** The Manufacturing sector is forecast to shrink less in the Growth Scenario than in the Baseline Scenario.

**Table 16.2 : Employment Change by Sector 2020-40**



Source: Cambridge Econometrics, Icen analysis



- 
- 16.14** The table below sets out how the employment growth forecasts for each sector compare to the historic rate of growth and to the forecasts for the West Midlands and the UK.
- 16.15** Manufacturing shrank between 2001 and 2019 but grew between 2011 and 2019 and is projected to shrink in both the baseline and growth scenarios. In reality the automotive sector outlook will strongly influence performance overall. The GVA outlook is positive and driven by automotive industries.
- 16.16** Retail and wholesale employment is set to grow at a much slower rate than it did from both 2001-2019 and 2011-2019 in both Scenarios and GVA forecasts are positive. Transport and storage grew relatively quickly between 2011 and 2019. However, it grew quite slowly between 2001 and 2019 overall and is forecast to grow at a similar rate in the Baseline Scenario but slightly faster in the Growth Scenario. Relatively limited GVA growth is forecast.
- 16.17** The predominantly office-based Information and communications sector grew relatively quickly between 2011 and 2019 but remained static between 2001 and 2019 indicating a decline in the first decade. This sector is forecast to grow relatively slowly in the baseline scenario but more rapidly (in between the two historic rates) in the growth scenario. The Financial, professional and business services sector which is also pre-dominantly office-based grew rapidly over both historic timeframes but is projected to grow at a much slower rate in the baseline scenario. The growth scenario is more, but not fully, reflective of the historic rates. Financial services as well as IT, Real estate and Business support are expected to make significant GVA contributions.
- 16.18** The Public administration and defence sector shrank significantly between 2011 and 2019 but was static between 2001 and 2019 and is forecast to only grow slowly in both scenarios.
- 16.19** Comparing percentage change in Birmingham between 2020 and 2040 with that across the West Midlands and the UK as a whole, it can be seen that decline in Manufacturing, will be somewhat greater in the Birmingham baseline scenario than across the West Midlands and the UK as a whole, but not in the growth scenario.
- 16.20** The growth in the predominantly office-based sectors listed above (Information and communications and Financial, Professional and Business Services) is set to be less pronounced in the baseline scenario than across the West Midlands and the UK, but more pronounced in the growth scenario.
- 16.21** Comparing the historic trends is a useful indicator of the future and highlights that the growth scenario generally aligns the future outlook with that of the past, particularly the last economic cycle.

**Table 16.3 Employment Change and Rate of Change by Sector<sup>33</sup>**

	Absolute Average Annual Change				% Change 2020 - 2040			
	Birmingham – 2001- 2019	Birmingham – 2011- 2019	Birmingham - Baseline	Birmingham - Growth	Birmingham - Baseline	Birmingham - Growth	West Midlands	UK
<b>Agriculture</b>	90	-20	0	0	7%	7%	4%	4%
<b>Mining &amp; quarrying</b>	10	20	-10	-10	-80%	-80%	-58%	-27%
<b>Manufacturing</b>	-2,360	330	-340	-200	-17%	-10%	-11%	-14%
<b>Electricity Gas and Water</b>	-70	40	0	0	0%	0%	2%	7%
<b>Construction</b>	830	1,040	50	440	3%	24%	5%	18%
<b>Retail and Wholesale</b>	490	860	30	30	1%	1%	3%	2%
<b>Transport and Storage</b>	100	660	110	160	7%	11%	19%	9%
<b>Food and accommodation</b>	620	1,050	770	800	43%	45%	45%	32%
<b>Information and Communications</b>	0	490	80	260	9%	30%	24%	23%
<b>Financial, Professional &amp; Business Services</b>	2,000	2,940	740	1,420	11%	21%	14%	14%
<b>Public Admin &amp; Defence</b>	0	-910	60	60	5%	5%	6%	3%
<b>Education</b>	530	280	300	300	11%	11%	13%	7%
<b>Health</b>	870	970	30	390	1%	14%	6%	18%
<b>Residential &amp; social</b>	690	730	390	390	26%	26%	27%	21%
<b>Arts</b>	150	450	-50	40	-18%	14%	-18%	6%
<b>Recreational services</b>	-140	-50	20	20	6%	6%	15%	22%
<b>Other services</b>	-50	430	-10	-10	-2%	-2%	-2%	0%
<b>Total</b>	3,740	9,320	2,180	4,110	8%	14%	10%	11%

Source: Cambridge Econometrics, IcenI analysis.

**16.22** The figure below shows how the growth forecasts will affect the sectoral composition of Birmingham. For the Baseline Scenario, it can be seen that changes are limited and the sectoral composition of employment in Birmingham is relatively unchanged. The most significant change (in the context of this study) is the shrinking of the Manufacturing sector. In addition to decline in the Manufacturing sector, the Growth Scenario also forecasts a significant decline in the proportion employment in the

<sup>33</sup> Figures may not sum due to rounding.

Retail and wholesale sector and a significant increase in the Financial, professional and business services sector.

**Table 16.4 Sectoral Composition of Employment – 2020 vs 2040**

	Baseline Scenario			Growth Scenario		
	% 2020	% 2040	% pt. Change	% 2020	% 2040	% pt. Change
<b>Agriculture, forestry &amp; fishing</b>	0.2%	0.2%	0.0%	0.2%	0.2%	0.0%
<b>Mining &amp; quarrying</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Manufacturing</b>	6.7%	5.2%	-1.6%	6.7%	5.3%	-1.4%
<b>Electricity Gas and Water</b>	0.7%	0.7%	-0.1%	0.7%	0.6%	-0.1%
<b>Construction</b>	6.4%	6.1%	-0.3%	6.4%	6.9%	0.5%
<b>Retail and Wholesale</b>	13.5%	12.6%	-0.8%	13.5%	11.9%	-1.6%
<b>Transport and Storage</b>	5.3%	5.2%	0.0%	5.3%	5.1%	-0.2%
<b>Food and accommodation</b>	6.2%	8.3%	2.1%	6.2%	7.9%	1.7%
<b>Information and Communications</b>	3.0%	3.0%	0.0%	3.0%	3.4%	0.4%
<b>Financial, Professional and Business</b>	24.0%	24.7%	0.7%	24.0%	25.4%	1.3%
<b>Public Administration &amp; Defence</b>	4.6%	4.4%	-0.1%	4.6%	4.2%	-0.4%
<b>Education</b>	9.6%	9.9%	0.3%	9.6%	9.4%	-0.3%
<b>Health</b>	9.6%	9.0%	-0.6%	9.6%	9.5%	0.0%
<b>Residential &amp; social</b>	5.3%	6.1%	0.9%	5.3%	5.8%	0.5%
<b>Arts</b>	1.0%	0.8%	-0.2%	1.0%	1.0%	0.0%
<b>Recreational services</b>	1.2%	1.2%	0.0%	1.2%	1.2%	-0.1%
<b>Other services</b>	2.6%	2.4%	-0.2%	2.6%	2.3%	-0.4%

Source: Cambridge Econometrics, Icen analysis

- 16.23** The figure below shows how growth forecasts at the Birmingham and UK levels will reflect the relative concentration of each sector in Birmingham compared to the UK (based on location quotients).
- 16.24** For the baseline scenario, it can be seen that even though Birmingham's Manufacturing sector is set to shrink, it will become slightly more concentrated relative to UK levels. However, in the growth scenario the concentration of the Manufacturing sector is forecast to remain unchanged. In the baseline scenario, the Transport and storage sector is also forecast to become more concentrated whilst it is not in the growth scenario.

**16.25** The pre-dominantly office-based sectors (Information and communications and Financial, professional and business services) are forecast to remain unchanged in concentration in both scenarios.

**Table 16.5** Birmingham vs UK Location Quotients – 2020 vs 2040

	Baseline Scenario			Growth Scenario		
	2020	2040	Change	2020	2040	Change
<b>Agriculture, forestry &amp; fishing</b>	0.7	0.7	0.0	0.2	0.2	0.0
<b>Mining &amp; quarrying</b>	0.5	0.3	-0.2	0.2	0.0	-0.1
<b>Manufacturing</b>	1.4	1.5	0.1	0.9	0.9	0.0
<b>Electricity Gas and Water</b>	1.0	1.0	0.0	0.7	0.6	-0.1
<b>Construction</b>	1.1	1.0	-0.1	1.0	1.0	0.0
<b>Retail and Wholesale</b>	1.1	1.1	0.0	1.0	0.9	0.0
<b>Transport and Storage</b>	1.2	1.3	0.1	1.0	1.0	0.0
<b>Food and accommodation</b>	0.9	1.0	0.1	0.9	1.0	0.1
<b>Information and Communications</b>	0.7	0.7	0.0	0.7	0.7	0.0
<b>Financial, Professional and Business</b>	0.9	0.9	0.0	1.1	1.1	0.0
<b>Public Administration &amp; Defence</b>	0.8	0.8	0.0	1.0	1.0	0.0
<b>Education</b>	1.0	1.1	0.1	1.1	1.2	0.0
<b>Health</b>	1.0	0.9	-0.1	1.3	1.2	-0.1
<b>Residential &amp; social</b>	1.0	1.0	0.1	1.0	1.1	0.0
<b>Arts</b>	0.9	0.7	-0.2	0.9	0.9	0.0
<b>Recreational services</b>	0.9	0.9	0.0	0.7	0.6	-0.1
<b>Other services</b>	0.9	0.9	0.0	0.9	0.9	0.0

Source: Cambridge Econometrics, Icen analysis

**16.26** The GVA by sector outlook is set below for the scenarios.

**Table 16.6 Birmingham GVA outlook by sector 2020 vs 2040 (2018 £millions)**

	2020	Baseline Scenario		Growth Scenario	
		2040	Change	2040	Change
<b>Agriculture &amp; mining</b>	13.6	14.9	1.0	14.6	1.0
<b>Manufacturing</b>	3134.1	4200.2	896.0	4369.2	1235.1
<b>Utilities</b>	279.4	312.2	25.2	304.6	25.2
<b>Construction</b>	1738.5	2461.8	606.5	2822.6	1084.2
<b>Retail</b>	2928.3	4318.0	1116.9	4045.3	1116.9
<b>Transport</b>	853.2	1177.7	281.2	1175.5	322.3
<b>Food and accommodation</b>	362.4	1216.2	695.1	1076.8	714.4
<b>ICT</b>	1367.6	1805.1	345.3	2089.0	721.4
<b>Professional</b>	6391.8	8879.5	2029.1	9095.6	2703.8
<b>Public Admin. &amp; Defence</b>	1979.8	3136.1	922.7	2902.5	922.7
<b>Education</b>	2031.1	3278.0	988.6	3019.7	988.6
<b>Health</b>	1872.9	2972.9	860.2	3082.4	1209.6
<b>Residential &amp; social</b>	1054.3	1596.0	431.4	1485.7	431.4
<b>Arts</b>	118.1	139.4	19.6	190.8	72.8
<b>Recreational services</b>	207.7	242.0	29.8	237.6	29.8
<b>Other services</b>	840.3	1251.1	348.7	1189.1	348.7
<b>Total</b>	26962.8	39724.6	0.0	39614.8	12652.0

Source: Cambridge Econometrics, IcenI analysis

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### *Key Points: Economic Forecasts*

*The key findings for the 2020-2040 employment forecasts are as follows:*

*It is forecast that Birmingham's employment count will return to and exceed pre-pandemic (2019) levels in 2025 in the baseline scenario but 2022 in the growth scenario. The growth scenario is forecast to see a higher rate of growth up to 2040 than the baseline scenario.*

*Between 2020 and 2040, the percentage change in employment in the Birmingham baseline scenario is forecast to be much lower than across both the West Midlands and the UK but much higher in the Birmingham growth scenario.*

*In the baseline scenario the employment count in Birmingham will take longer to recover from Covid-19 than both the West Midlands and the UK as a whole. However, the recovery will be faster than the comparator areas in the growth scenario.*

*Between 2020 and 2040, over a third of employment growth in Birmingham baseline scenario is forecast to be in the Food and accommodation sector and a third is forecast to be in the Financial, professional and business services sector. In the growth scenario, employment growth in the Financial, professional and business services sector is forecast to be even higher. The Information and Communications sector is also forecast to grow significantly in the growth scenario (but not in the baseline scenario). The Manufacturing sector is forecast to shrink less in the Growth Scenario than in the baseline scenario.*

*Manufacturing, which grew between 2011 and 2019 but shrank between 2001 and 2019, is projected to shrink between 2020 and 2040. Retail and Wholesale is set to grow at a much slower rate than it did between 2001 and 2019. Transport and Storage is forecast to grow at a similar rate than it did between 2001 and 2019 in the baseline scenario but slightly faster in the growth scenario.*

*The predominantly office-based Information and communications sector is forecast to reflect slow 2001-2019 rates of growth in the baseline scenario but is in between the 2001-2011 and high 2001-2019 rates in the growth scenario. The Financial, professional and business services sector grew rapidly over both historic timeframes but is projected to grow at a much slower rate in the baseline scenario. The growth scenario is more, but not fully, reflective of the historic rates.*

*Even though Birmingham's Manufacturing sector is set to shrink, it will become slightly more concentrated relative to UK levels in the baseline scenario (but not in the growth scenario). The*

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*same can be said for Transport and Storage (although employment in this sector will grow in Birmingham).*

*It can be seen that pre-dominantly office based sectors (Information and communications and Financial, Professional and Business Services) will remain unchanged in concentration relative to the UK.*

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## 17. EMPLOYMENT LAND NEED

### Introduction

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- 17.1** This section provides commentary on the future employment land needs by type from 2020 to 2040. It considers labour demand (baseline and growth) scenarios provided by Cambridge Econometrics, labour supply, as well as completions trends using LPA monitoring and VOA data.
- 17.2** Recommendations are made regarding future needs for office, industrial and warehousing.

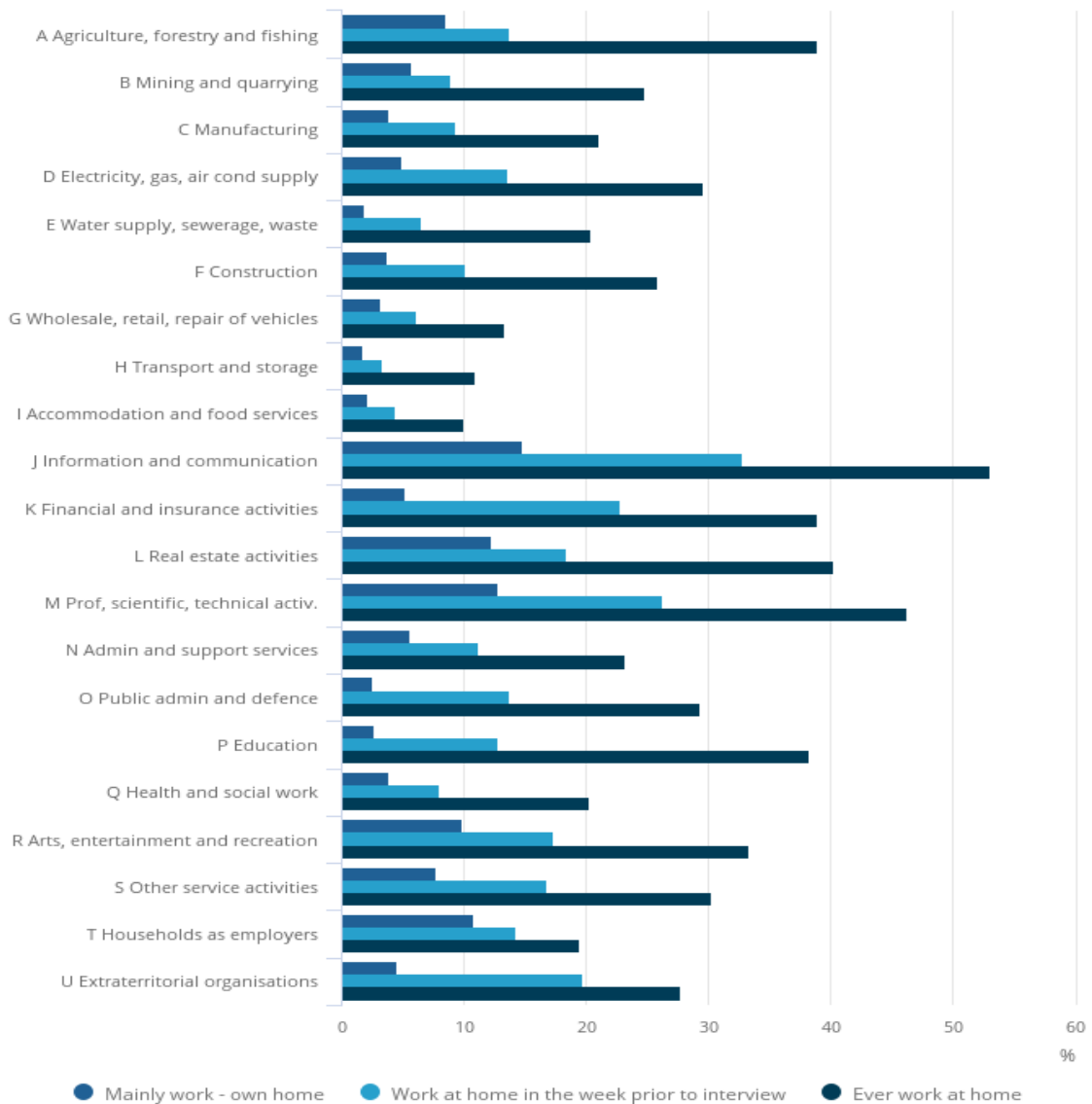
### Labour Supply and Demand Models: Baseline and Growth

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- 17.3** Using the baseline and growth employment forecasts from CE (see previous section), IcenI has developed a set of employment floorspace requirements. They relate to the floorspace and land required to accommodate net growth in floorspace. Provision for flexibility of supply and replacement demand is considered further in this paper.
- 17.4** It is of note that the labour demand baseline generates 43,700 jobs 2020 to 2040 and the aspirational growth scenario 82,200 jobs, whereas the demographic assessment - Scenario 2 labour supply (see chapter 13) generates a range of between 75,000 and 86,400 jobs supported, dependent on commuting assumptions. Given that the aspirational labour demand scenario broadly parallels the labour supply range, an alternative labour supply driven scenario has not been developed.
- 17.5** CE provided a 45 sector breakdown of sectors which we have used to model floorspace needs. The conversion assumptions from sectors to floorspace is in Appendix 3. The Birmingham ratio of jobs to FTEs has been used to convert jobs to FTEs.
- 17.6** Prior to converting FTEs to floorspace, an adjustment has been made for typically homeworking – therefore those not requiring commercial floorspace – using pre pandemic data for 2019. This has been developed from ONS data on homeworking by sector as set out below. A further adjustment is considered later in terms of a post Covid scenario.



**TABLE 19.1. HOMEWORKING BY SECTOR 2019**



Source: ONS

**17.7** Converting the residual FTEs to floorspace, (net) ratios are assumed as the following being derived from the 2015 Homes England Employment Densities Guide:

- 10 sqm offices (12 sqm GEA)
- 30 sqm R&D<sup>34</sup> (36 sqm GEA)
- 42 sqm industrial (blend of light industrial and general industrial)
- 70 sqm warehousing

<sup>34</sup> This is lower than the 40sqm in the Guide but is considered more realistic in light of the City's urban constraints

17.8 The summary outputs by 5 years band are as follows:

**Labour demand baseline floorspace needs 2020-2040/45, sqm**

	2020-25	2025-30	2030-35	2035-40	2040-45	2020-40	2020-45
<b>Offices</b>	28,700	25,600	24,700	22,200	20,200	101,100	121,300
<b>R&amp;D</b>	3,700	2,000	1,200	700	500	7,600	8,100
<b>Industrial</b>	-31,000	-72,600	-61,000	-53,200	-49,900	-217,800	-267,600
<b>Distribution</b>	53,400	10,400	9,600	5,200	1,300	78,600	79,900
<b>Total</b>	54,900	-34,600	-25,600	-25,100	-28,000	-30,400	-58,400

Source: CE/ Icenl

**Labour demand growth floorspace needs 2020-2040/45, sqm**

	2020-25	2025-30	2030-35	2035-40	2040-45	2020-40	2020-45
<b>Offices</b>	74,900	60,200	61,300	59,600	58,800	256,000	314,800
<b>R&amp;D</b>	8,800	5,500	5,700	5,600	6,500	25,600	32,100
<b>Industrial</b>	-1,700	-48,400	-26,500	-16,100	-6,400	-92,600	-99,100
<b>Distribution</b>	91,400	20,500	13,900	10,000	4,500	135,800	140,300
<b>Total</b>	173,300	37,800	54,400	59,200	63,400	324,700	388,100

Source: CE/ Icenl

17.9 These have been converted to land using plot ratios of:

- 2.0 for offices
- 0.5 for R&D, industrial and distribution

17.10 The initial summary outputs for the authorities are as follows:

**Table 17.1 Labour demand baseline floorspace needs 2020-2040/45, ha**

	2020-25	2025-30	2030-35	2035-40	2040-45	2020-40	2020-45
<b>Offices</b>	1.4	1.3	1.2	1.1	1.0	5.1	6.1
<b>R&amp;D</b>	0.7	0.4	0.2	0.1	0.1	1.5	1.6
<b>Industrial</b>	-6.2	-14.5	-12.2	-10.6	-10.0	-43.6	-53.5
<b>Distribution</b>	10.7	2.1	1.9	1.0	0.3	15.7	16.0
<b>Total</b>	6.7	-10.8	-8.8	-8.3	-8.6	-21.3	-29.9

Source: CE/ Icenl

**Table 17.2 Labour demand growth floorspace needs 2020-2040/45, ha**

	2020-25	2025-30	2030-35	2035-40	2040-45	2020-40	2020-45
<b>Offices</b>	3.7	3.0	3.1	3.0	2.9	12.8	15.7
<b>R&amp;D</b>	1.8	1.1	1.1	1.1	1.3	5.1	6.4
<b>Industrial</b>	-0.3	-9.7	-5.3	-3.2	-1.3	-18.5	-19.8
<b>Distribution</b>	18.3	4.1	2.8	2.0	0.9	27.2	28.1
<b>Total</b>	23.4	-1.5	1.7	2.9	3.9	26.5	30.4

Source: CE/ Icen

- 17.11** There are significant differences between the scenarios in all categories but most prominently in the industrial and local distribution models.
- 17.12** A sensitivity model has been developed which reflects the significant impact of the Covid-19 pandemic on the use of offices and enforced use of home working. At the time of writing (mid 2021) there remains considerable uncertainty on the long term trend for office space. Property market feedback for Birmingham reports a suppression on transactions since the initial 2020 lockdown and deals currently focused on smaller secondary office space (Q1 2021 was 72% below average, Savills data) against a 2013-19 consistent increase.
- 17.13** The sensitivity scenario reduces the officed based requirements under the circumstance that post pandemic there is a reduced requirement for new space despite growth in office type jobs due to an increased prevalence of home working.
- 17.14** Whilst it is likely that office usage may see a reorganisation of space, for example more breakout / collaboration space and less hot desking, it remains plausible that there will be a reduced overall requirement for new offices. Some examples of major corporate activity in this regard include HSBC cutting its global office space by 40%; Lloyds cutting desk numbers by 20%; Alphabet developing a model where staff work three days in the office and two days from home; and Facebook allowing 'complete flexibility'. On balance, Icen considers it reasonable to run a scenario that reduces future need by 30% against that of the typical office needs, as below.

**Table 17.3 Labour demand land needs, sqm office sensitivity**

<b>Offices</b>							
Standard need				Need reduced 30%			
2020-40		2020-45		2020-40		2020-45	
Basel.	Growth	Basel.	Growth	Basel.	Growth	Basel.	Growth
101,100	256,000	121,300	314,800	70,840	179,200	84,980	220,360

Source: CE/ Icen

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**17.15** Furthermore to the above, we can consider from the VOA data (as follows) that there has been limited overall net change in offices from 2011-19 whilst there had been growth in office jobs of over 26,000 against gross office gains of around 200,000 sqm, which is in itself around 65% of what would be expected through a typical density model.

**17.16** This suggests both that a substantial reprofiling of office space has taken place, as well as that (based on gross floorspace gains) that either densities have been lower than expected or the prevalence of home based working is more common than suggested in the figure above. In either case, the sensitivity reduction above of 30% appears appropriate as a discount to adjust for non-office based employment activities for the relevant sectors.

### **Productivity model**

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**17.17** In Icenis's view, labour demand is generally a weak indicator of future industrial floorspace due to changes in technology that drive productivity but are often divorced from growth in the labour force, unlike typically office based sectors.

**17.18** Under the baseline scenario manufacturing GVA alone is forecast to grow by c£900m 2020 to 2040 or 29%. Under the higher growth scenario this increases to c£1200m or 39% growth. Warehousing GVA seems similarly large gains of £128m (28%) and £170m 37%.

**17.19** Applying these increases to the existing VOA stock (2020) we can indicatively estimate the level of growth that could be considered to facilitate such productivity gains. These figures need to be considered with caution, given uncertainty in the modelling technique and difficulty in testing historical correlations.

**17.20** The gains in floorspace, on the same basis of GVA change, indicate a gain of between 1.9m and 2.5m sqm.

**TABLE 19.7. PRODUCTIVITY TREND FORECAST 2020-2040 (SQM)**

	2020	2040 baseline	2040 baseline (% inc.)	2020-40 gain baseline	2040 growth	2040 growth (% inc.)	2020-40 gain growth
<b>W'house &amp; manuf. GVA</b>	£3,591m	£4,615m	29%	£1,024m	£4,996m	39%	£1,405m
<b>Industrial floorspace</b>	6,481,000	8,360,000	29%	1,879,000	9,008,000	39%	2,527,000

Source: CE / Icen / VOA

### Completions Trends

**17.21** The authority has provided a range of data in relation to completions monitoring as set out in the table below. Monitoring of losses does generally not take place however the VOA data can be used as a useful guide for net trend, after accounting for both losses and gains. The key trends are

#### Office:

- Strong gains in new build offices, limited conversions from residential to offices.
- Significant losses from offices converted to residential from 2016 onwards.
- An almost neutral position overall in net offices change according to VOA. This would suggest further losses and demolitions outside of the conversions to residential process occurring.
- Overall an indication, which aligns with market data, that there has been a strong demand for new office floorspace occurring whilst older space is being lost and replaced. It is useful to note that the overall stock count has been fairly unchanged despite the city finding significant gains in office based employment.

#### Industrial:

- Strong gross gains in both industrial and warehousing.
- A picture of decline in net industrial floorspace (combining industrial and warehouse) as reported by the VOA which, given the strong gains, suggests significant have losses in parallel. This would indicate that older stock is both being redeveloped for new industrial premises, which are in high demand, whereas other sites are being lost to other uses. HS2 clearances will also be influencing industrial losses.

**TABLE 19.8. COMPLETIONS MONITORING 2011/12-2019/20 SQM**

	Offices			VOA	Industrial			
	Completions data				VOA trend (net)	Completions data		VOA trend (net)
	New build	Conversion gain	Conversion loss			Industrial (new build)	Warehouse (new build)	
<b>2011/12</b>	20,743	912	2,642	28000	5,153	18,507	-38,000	
<b>2012/13</b>	36,003	720	5,651	22000	2,015	4,943	7,000	
<b>2013/14</b>	6,851	463	2,521	2000	92,949	9,098	13,000	
<b>2014/15</b>	3,596	575	6,177	3000	12,422	1,778	-68,000	
<b>2015/16</b>	8,667	30	17,851	-3000	57,329*	20,553	-58,000	
<b>2016/17</b>	8,559	183	30,631	-35000	24,119	66,010	27,000	
<b>2017/18</b>	3,815	188	29,682	-28000	34,796	10,569	-37,000	
<b>2018/19</b>	32,867	326	23,105	7000	17,829	33,991	-10,000	
<b>2019/20</b>	84,225	3,395	21,235	-4000	26,009**	4,462	-88,000	
<b>Total</b>	205,326	424	139,756	-8000	200,434	169,911	-252,000	
<b>Average</b>	22,814	912	15,500	-1,000	30,291	18,879	-28,000	

Source: LPA / Icen / VOA \* inc. 19,809 industrial & warehouse combined; \*\*inc. 2,436 R&D

**17.22** The annual averages for gross (completions) and net (VOA) change have been projected forward below to generate a trend model for the future floorspace needs.

**Completions trend forecast 2020-2040 (sqm)**

Offices		Industrial	
New build + conv. Gains	VOA trend (net)	Industrial & Warehouse (new build)	VOA trend (net)
<b>474,520</b>	-20,000	983,400	-560,000

Source: LPA / Icen / VOA

**Comparing model outputs**

**17.23** The table below compares the labour demand and productivity models and the completions trends.

**TABLE 19.10. RANGE OF FLOORSPACE NEEDS 2020-2040, SQM**

	Labour demand base.	Labour demand base. (sensitivity)	Labour demand growth	Labour demand growth (sensitivity)	GVA model baseline	GVA model growth	Completions (gross, monitoring)	Completions (net, VOA)
<b>Offices</b>	101,100	70,840	256,000	179,200	N/A	N/A	474,520	-20,000
<b>R&amp;D</b>	7,600	7,600	25,600	25,600				
<b>Industrial</b>	-217,800	-217,800	-92,600	-92,600	1,879,000 (356 ha)	2,527,000 (505 ha)	605,800 (121ha)*	-560,000 (-112 ha)
<b>Dist-ribution</b>	78,600	78,600	135,800	135,800			377,600 (76 ha)*	
<b>Total</b>	-30,400	-60,760	324,700	248,000			1,457,920	-580,000

Source: CE/ Icen/ VOA/ Authority \* 197 ha combined

**17.24** The outcomes of the modelling and recommended future requirements are considered below.

**17.25 Offices:** gross completions exceed even the growth model, reflecting the past delivery of new floorspace. The labour demand models sit above net completions trends which are suppressed by losses in 2016/17 and 2017/18 – and are unlikely to be continued in such a way in the future. It is of note that the 2013 Birmingham Employment Land Study recommended for planning at a rate above that seen for average gross completions here.

**17.26** Given the strength of past delivery, but some uncertainty in the levels of demand for offices in the future compared to the past, the reality is that the requirement is likely to lie between the growth model and completions gross. At the present time the most balanced position would be to plan for the midpoint between the labour demand growth (inc. R&D) and the gross completions, whilst it would be prudent for the authority to monitor the office market performance in the near term to confirm the position.

**17.27 R&D:** it is Icen's understanding that the authority has generally included R&D space in its office monitoring. On that basis it would be appropriate to include R&D requirements in the overall office figure as above rather than to separate.

**17.28 Industrial:** the baseline labour demand model is a negative sum for industrial type floorspace when aggregated; and the growth model produces only a small need. As noted previously, labour demand is not considered an appropriate indicator for these floorspace types. Conversely, the GVA models considerably exceed the completions trend monitoring. Due to the use of VOA base data it is not

appropriate to try and separate warehouse and industrial floorspace under the GVA model and in policy planning terms this is unlikely to be useful in any case. The GVA models are considerably higher than completions, more than double. Regardless, due to uncertainty in the use of GVA modelling techniques, the completions trend projection is considered the most appropriate given it accurately represents past delivery and needs being met. A caveat to be noted is that the current industrial market is reportedly very constrained with regard to quality units of all sizes. This suggests that past completions are underdelivering market need. Rather than default to the higher modelling GVA figure here, an alternative approach is considered to deal with this – as following sections.

**17.29** Taking into account the VOA trend, the industrial pattern overall suggests that older premises not suitable for modern business needs are being lost, whilst strong demand for new modern premises exists to support employment and productivity growth and replacement demand for older premises. Again, in this context it is recommended that the projected gross completions are planned for, which assumes that some older stock will continue to be lost and need to be replaced.

**17.30** The table below therefore represents the preferred needs taking into account the above. These are net needs before adjustment, considered hereafter.

#### **Recommended employment land net needs 2020-2040/45**

	Offices		Industrial & distribution	
	sqm	Ha	sqm	Ha
2020-40	378,000	18.9	983,400	197

Source: Icenl

#### **Margin for flexibility**

**17.31** As is common in other studies, it is recommended a margin for flexibility be applied that recognises:

- Forecasting is not an exact science
- Locational and site size requirements vary
- Potential for delay/slippage in sites coming forward

**17.32** This is as included as 5yrs of gross completions for industrial / distribution and 2yrs offices, as shown below:



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**TABLE 19.12. MARGIN FOR FLEXIBILITY (SQM)**

Offices	Industrial	Distribution	Ind & Distr.
47,500 (2.4 ha)	60,600	37,800	98,300 (19.7 ha)

Source: Icenl

### **Margin for churn and choice**

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- 17.33** It is widely recognised that a level of vacancy in property markets needs to be maintained of 5-10% of total stock (with 7.5% as a central marker) to ensure that businesses have space to grow, downsize or for inward investment opportunities. Any future needs therefore should include this margin in addition to the core recommended requirement. This is set out below.

**TABLE 19.13. MARGIN FOR VACANCY, FUTURE NEED (SQM) 2020-40 PERIOD**

Offices	Industrial
28,400 (5.7ha)	73,800 (15ha)

Source: Icení

- 17.34** Furthermore, at the present time the current industrial property market is reporting levels of vacancy significantly below the preferred 7.5%, currently 2.1%, and has been running at 5% or less since 2018 and under 7% since 2014, contributing to rising rents as set out in the commercial review chapter. Whilst rising rents improve the viability of redevelopment for new premises, there is overall considered to be a lack of choice in the market. Given the limited vacancy, it is recommended that a further margin be included to try and increase provision in industrial stock. However, at the present time there is some uncertainty in future levels of office demand and availability rates are over 5% and rising, which indicates that vacancy is likely to increase in the future. As a result it is only considered necessary to increase industrial stock provision. The proposed method is to increase vacancy back to a minimum of 5% or adding 2.9% of new stock to the total, reported by VOA as 6.5m sqm, the increase being 188,000 sqm or 37.6 ha (some 20% of future modelled need to 2040). It would not be unreasonable to seek a 7.5% vacancy or 350,000 sqm however the market has generally operated successfully at 5% for the last decade and the most recent fall to c2% has been in 2021, being very short term, plus availability (encompassing vacancy and units to be let to the market in near term) is slightly higher.

#### Current vacancy and availability - Industrial / Distribution

Vacancy %	Availability %	Stock (m sqm)	m sqm req'd for 5% V.	m sqm req'd for 7.5% V.
2.1	3.6	6.48m	0.188m (37.6 ha)	0.35m (70ha)

Source: Icení / CoStar July 2021

#### Replacement demand

- 17.35** Replacement demand factors make provision for ongoing losses of stock, assuming that past patterns continue. It is normal that stock is lost as it ages and premises become redundant. This can be due to changing industry patterns or because firms simply need new premises. In fully functioning markets, replacement demand needs are met through the market itself, however in reality many smaller businesses survive on older cheaper premises that the market cannot viably supply. Provision for new land for development is required and public intervention may also be needed to ensure premises can viably be brought forward.

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**17.36** Differences between losses and gains as well as market feedback can be useful indicators of the need for replacement demand.

**17.37 Offices:** considerable losses have occurred in Birmingham through permitted development rights however much of this will have been secondary stock whereas the city is seeking higher quality premises. On balance it is considered that there is no need for provision over and above the need factors noted previously however monitoring of office losses would be prudent in order to consider changes in market activity particularly post pandemic.

**17.38 Industrial and warehousing:** given the positive approach taken to provision overall, through the use of gross completions, there is no need to make further inclusion for replacement demand. It would be reasonable to assume however that historic stock loss rates will decline particularly in the context of HS2 impacts as well as older effects of employment and industrial areas being regenerated and remaining areas protected.

### **Conclusions**

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**17.39** Drawing together the previous section, the overall needs for employment are set out below.

**TABLE 19.15. EMPLOYMENT LAND NEEDS 2020-2040/45**

	Offices				Ind. & Dist.				
	Net Need	Flex. Marg.	Future V Marg.	Gross Need	Net Need	Flex. Marg.	Future V Marg.	Current V Marg.	Gross Need
<b>2040 sqm</b>	<b>378,000</b>	47,500	28,400	<b>453,900</b>	983,400	98,300	73,800	188,000	<b>1,343,500</b>
<b>2040 Ha</b>	18.9	2.4	1.4	<b>22.7</b>	196.7	19.7	14.8	37.6	<b>268.7</b>

Source: Icení

### Demand and supply

- 17.40** The authority has provided an indication of its current supply to inform a balancing exercise.
- 17.41** This suggests a slight shortfall in offices based on permissions, but a technical oversupply when all potential supply is taken into account .
- 17.42** For industrial, Icení Projects has undertaken a review of potential supply across the Core Employment Areas (CEAs) based on sites visits including vacant plots and potential redevelopment areas. This supply figure excludes any impact of sites that may be released from employment subject to further review. A shortfall is apparent when excluding the larger cleared HS2 sites (former LDV Site, Washwood Heath and the former Astrom site). This suggests that the reuse of part of these sites is required in the future to meet industrial needs, although in reality other land use pressures may mean that the scale indicated below cannot be dedicated to industrial.
- 17.43** Icení's supply estimate of 215.9 ha differs slightly from the Employment Land Availability Assessment 2020 (207 ha supply) which is based on permissions, AAP allocations, UDP allocations and expired permissions. Icení recommends that expired permissions are removed from supply and that other allocations may require review through urban capacity studies.

### Employment land needs balance 2020-2040

	Offices (sqm)				Ind. & Dist. (Ha)				
	Gross Need	Permissions	Other	Balance (all supply)	Gross Need	Supply (all Assessed)	Balance (Assessed supply)	Potential supply of HS2 sites	Balance (inc. HS2 sites)
<b>2040 sqm</b>	453,900	404,683	218,998*	<b>+169,800</b>	268.7	215.9	<b>-52.8</b>	73.6	<b>+20.8</b>

Source: Icení / authority

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## Comments on Birmingham Land Supply: Sites and Policy TP17

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- 17.44** TP17 prescribes a minimum ongoing 5-year reservoir of 96 hectares of readily available employment land (i.e. committed employment land with no constraints to delivery), comprising of
- a minimum 60 hectares of Best Quality land (sites of 10+ hectares),
  - 31 hectares of Good Quality land (sites between 0.4 and 10 hectares) and
  - 5 hectares of Other Quality land (sites less than 0.4 hectares).
- 17.45** The previous 2013 Employment Land and Office Targets Study identified the need level for TP17 and the 96ha of 5yr need.
- 17.46** Icenis is of the view it is reasonable that a 5yr supply of readily available employment land is maintained. Based on the draft updated needs model (2021), 5 yrs. would require 67.2ha of (industrial) need (based on total needs of 268.7ha to 2040 divided by 20 years and then multiplied by 5 years).
- 17.47** In terms of the proportion of split between sites by size, the past ELS drew on historic completions data.
- 17.48** Data provided for the 2011/12 period to 2019/20 period for new build sites indicates:
- 5 sites over 5ha or 34% of all land developed
  - 10 sites 2.4ha – 5ha or 32% of all land developed
  - 12 sites 1-2.4ha or 16% of all land developed
  - 78 sites under 1ha or 16% of all land developed, of which 29 sites under 0.4ha or 5% of all land developed
- 17.49** Completions alone may not provide an accurate picture of supply requirements, as larger site areas being available may be necessary to ensure the viability of bringing sites forward when infrastructure and remediation costs are involved. For example, whilst the completions do not record any sites over 10ha, many larger completions are a part of larger development areas, such as Mid Point Park / Water Orton Lane (80ha), former IMI Works at Witton (47ha) and Aston Hall Road RIS. These three areas alone make up nearly 50% of all land completed since 2011. This arguably reinforces the importance of ensuring a supply of larger sites and in this context suggests the TP17 spread of site size remains relevant. However the importance of ensuring a supply of smaller sites – or sites for smaller units - should not be underestimated.
- 17.50** In addition to plots area, Icenis has also considered the floorspace completions trend and compared this to the percentage of occupier leases in the size band (based on CoStar).

- 65% of floorspace completed in units of over 9,300 sqm (100,000 sq. ft) requiring sites of 2.5ha or more (of which around 37% of total in units requiring sites over 5ha) again these are focused in the larger reserves as noted above, however only 28% of deals by floorspace are in this category;
- 15% of floorspace completed in units of 4,600 sqm – 9,000 sqm (50,000 - 100,000 sq. ft) requiring sites of 1.2ha or more, against 18% of floorspace by deals;
- 15% of floorspace completed in units of over 900 sqm - 4,600 sqm (10,000 sq. ft – 50,000 sq. ft), whilst 32% of deals by floorspace deals in this band;
- 5% of floorspace in units under 900 sqm (10,000 sq. ft), or 20% of deals by floorspace.

**17.51** Whilst the completions by floorspace broadly follows the pattern to that of plots, the market deals are more focused on the mid and smaller end. Smaller occupiers tend to have shorter leases and in some instances be better able to manage with older premises, thus reducing their need for new provision.

**17.52** It is useful to consider completions against market feedback on demand. At the upper end of the market, demand is reported as strong in the 100,000sqft-200,000sqft range (9,300sqm – 18,600sqm and above) for new units. At the top end of this range such a site for a single unit would require around 5ha and at the lower end 2.4ha, assuming plot ratios of 0.4 ha. These sites might come forward individually within existing estates but would often need to be part of a larger scheme on new development areas. It is useful to reflect that these sites may also reflect sub regional as well as local Birmingham needs and this is likely to be the case regarding Peddimore. At the lower end of the market there is reportedly strong demand for smaller units 20,000sqft-30,000sqft (1,860sqm-3,720sqm) as well as those at 10,000 sq. ft (930sqm) and below. The development market is less active at this end as developments tend to be less profitable and occupiers are therefore relying on older stock which may not always be suitable for modern needs. New provision at this scale would be desirable.

**17.53** In Iceni's view, based on development trends in recent years as recorded, a refocus on mid-sized sites may be appropriate. It may also be more useful in market terms to consider floorspace rather than site area as a metric to better meet market needs.

- 33% of provision on sites of 10ha+ with near direct connectivity to A Roads
- 33% of all land on sites over 2.4ha – 10ha with near direct connectivity to A Roads
- 33% sites under 2.4ha of which divided evenly between those of over 1ha and under 1ha.

**17.54** As an alternative it may be more useful albeit more difficult to provide for a unit size based policy being:

- 65% of provision for larger units over 9,300 sqm+ with near direct connectivity to A Roads
- 30% of all land for units 900-9,300 sqm
- 5% of land for units under 900 sqm

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- 17.55** It is recognised that the plot and unit recommendations above do not fully align however smaller units can and do come forward on larger plots and employment areas, so this does not need to be the case.
- 17.56** Furthermore, the scale of site size may be a more appropriate reference term for sites rather than Best/Good/Other.

#### *Key Points Employment Land Need*

*Using the baseline and growth employment forecasts from CE, IcenI has developed a set of employment floorspace requirements. They relate to the floorspace and land required to accommodate net growth in floorspace. Provision for flexibility of supply and replacement demand is considered further in this paper.*

*The modelling converts jobs to FTE and then floorspace on local ratios. Prior to converting FTEs to floorspace, an adjustment has been made for typically homeworking. This has been developed from ONS data on homeworking based on pre-pandemic levels and a further scenario has been developed based on post pandemic levels.*

*The baseline scenario identifies a contraction in floorspace requirements of around 58,400 square metres while the growth scenario identifies a need for an additional 388,100 sq. m.*

*These have been converted to land using plot ratios and show a contraction of 29.9 hectares and a growth of 30.4 ha respectively.*

*There are significant differences between the scenarios in all categories but most prominently in the industrial and local distribution models.*

*A sensitivity model has been developed which reflects the significant impact of the Covid-19 pandemic on the use of offices and enforced use of home working. This reduces future need by 30% against that of the typical office need. For the growth scenario this reduces the floorspace need to 220,360 sq. m*

*We have also examined past trends in employment floorspace completions. This shows an average net loss of office and more substantially industrial stock although there has been gross gain in each.*

*Projecting these trends forward would result in a net loss but gross need for 1,457,920 sq. m over the 2020-2040 period.*

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*The range of need from these scenarios has been considered alongside other factors such as flexibility, churn and choice and replacement demand. Drawing together this information, the overall gross need for employment space are:*

*Offices – 453,900 sqm and 22.7 Ha*

*Industrial - 1,343,500 sqm and 268.7 Ha*

*The authority has also provided a broad indication of its current supply although this will require updating. When this is taken into account there is a slight shortfall in offices permissions, but a potential oversupply when all future supply is taken into account. For industrial, a shortfall of 52.8 ha is calculated however potential sites released from HS2 works may help to meet this need.*

*The Council are working to identify further land to address the industrial land shortfall. This includes an assessment of Core Employment Areas and an Urban Capacity Study alongside the potential supply resulting from the completion of HS2.*