SPOTLIGHT

BIRMINGHAM CROSS SECTOR OUTLOOK 2026

RESIDENTIAL – COMMERCIAL

RESEARCH

Introduction

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Birmingham has the fundamentals required to be one of the most productive cities in the country.

Throughout history, Birmingham has produced goods, ideas and technological advances which have proved vital to economic growth, most notably as a key centre of the Industrial Revolution.

Birmingham's ability to generate agglomeration economies (the benefits from locating in denser urban environments) has been crucial to its success. These agglomeration benefits have been facilitated primarily by the city's population – the wider West Midlands urban area is the third largest in the country, with a population of nearly 2.6 million in 2023.

And a host of activity is brought to the city by its central location within the country, less than 100 miles from London, Manchester, Leeds, Bristol and Cardiff.

A new wave of infrastructure funding offers an opportunity to once again drive prosperity. Improved connectivity will make a range of uses viable in new locations, both in the centre of the city, and also throughout the suburban spokes of the train and tram network. To maximise this opportunity, Birmingham must offer a built environment which attracts and retains both skilled individuals and growing businesses.

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Birmingham market in context

Where the canals powered the region's industrial might through the 18th century, today a new transport revolution is taking place. HS2 is the most high-profile aspect of this, but there is an abundance of opportunity across the West Midlands which is being facilitated by other transport improvements. The Mayor's growth strategy hinges on investment in local and national transport driving growth in jobs, housing and opportunity for all parts of the city.

The West Midlands Metro is expanding rapidly, with new lines under construction connecting the city centre, HS2 and major employment hubs in the Black Country, with further expansion proposed to Solihull and Birmingham International. Alongside the reopening of the Camp Hill train line through south Birmingham, these local network improvements will help unlock growth, connect communities and reduce reliance on cars across the whole urban area.

But the future isn't just about rails. Transport for West Midlands is piloting automated buses, alongside electric fleets and Mobility-as-a-Service platforms. These innovations aim to serve areas beyond tram and train lines, offering flexible, low-carbon travel options that reduce congestion and improve reliability. As well as increasing road capacity, this pilot aims to help Birmingham's automotive industry evolve, boosting demand for high-quality industrial space.

And the canals which sparked the economic success of the city historically are again at the centre of efforts to provide the homes, jobs and leisure opportunities to drive Birmingham forwards. The Canal & River Trust's 10-year strategy is transforming these historic industrial arteries into centres of placemaking, supporting residential and leisure uses, alongside enhanced public spaces. The WMCA clearly recognises the power which this infrastructure investment has to generate stronger economic growth across the West Midlands, and has been backed by a £24bn funding commitment from central government, announced in June 2025. To make the most of this investment, the land opportunities must be available across the West Midlands to attract investment, produce viable developments and create places of which the region can be proud.

Birmingham's office market: a decade of transformation

Over the past decade, Birmingham has attracted a growing number of major office occupiers, including HSBC, Goldman Sachs and the BBC. This momentum has been underpinned by a significant upgrade in the city's prime office offering, with landmark schemes such as Paradise, Snowhill, 103 Colmore Row and Arena Central delivering high-quality Grade A space.

Rising headline rents illustrate the scale of this transformation. At Paradise Three Chamberlain Square the rent achieved has now reached £52 per sq ft. This places Birmingham at the top of the Big Six regional cities for prime headline rents. These increases reflect sustained demand for high-quality offices in the city core, contrasting with almost zero new build supply and a very limited committed pipeline.

Recent leasing activity has been robust. Take-up in 2025 totalled 703,430 sq ft across 100 transactions – 7% above the five-year average for deal volumes – while overall take-up was 2% above the five-year average. Grade A and prime space dominated the year, accounting for 252,378 sq ft (40% of total take-up) through 41 transactions, a level 35% above the five-year average.

Professional services have led the market in 2025, securing 281,598 sq ft across 28 deals - the sector's strongest year since 2008. Major transactions included EY's 93,780 sq ft at Three Chamberlain Square and Deloitte taking 46,000 sq ft at One

£52psf

AT THREE CHAMBERLAIN SQUARE, HIGHEST ACHIEVED RENT IN THE BIG SIX

24.6%

HOUSE PRICE GROWTH IN THE WEST MIDLANDS 2026-2030

90%

OF THE UK POPULATION WITHIN A FOUR HOUR DRIVE

Centenary Way. In February 2026 solicitors Eversheds have also now committed to take 45,000 sq ft representing the final remaining space at Three Chamberlain Square. Over the past five years, public sector and education occupiers have also played a significant role, accounting for 29% of take-up, with 2024 marking a standout year for the sector.

Affordability boosts the housing market outlook

The housing market in Birmingham has been relatively slow in the last year. House prices in the city have remained broadly flat in the year to September, against a West Midlands average of 2.1% growth, according to Land Registry data. Birmingham also lags behind other major cities over a longer time period – in the last 20 years, house prices have grown more slowly in Birmingham than in Manchester, Leeds, Bristol, Nottingham and Sheffield. Birmingham's economy has also underperformed many other major cities over this period.

However, Birmingham holds a key advantage: affordability. The average home within the Birmingham local authority costs 6.6 times average earnings, compared with 7.7 times across England. This relative value positions Birmingham for future growth, particularly as improved connectivity via HS2 makes it increasingly feasible to maintain ties with London while living and working primarily in Birmingham.

Our forecast for the West Midlands points to 24.6% house price growth over the next five years, and Birmingham has the potential to outperform the region if its economy strengthens.

Challenges with development viability have caused urban land values to fall nationally, but in Birmingham, the market has been somewhat more robust. This suggests that demand in Birmingham remains strong, despite urban residential viability becoming increasingly difficult due to rising build costs.

Confidence can also be drawn from the large pipeline of development coming forward in the city. Housing delivery has increased markedly in the last two years, with 4,454 net additional homes delivered in Birmingham in the year to March 2025, roughly in line with the new standard method housing need. At a national level, housing delivery is likely to fall in the next year or so as a consequence of a drop off in planning consents, But with a strong pipeline of schemes under construction or in planning, including 14,000 build to rent homes alongside the private sale market, Birmingham can look to increase its housing delivery.

Evolution in the Logistics market

Birmingham's strength as a logistics hub is underpinned by its central UK position and exceptional infrastructure, with immediate access to national transport corridors such as the M6 and the West Coast Main Line, placing much of the city within a zone that can reach 90% of the British population within a four-hour drive. This connectivity has helped the Midlands increase its share of UK industrial take-up from 26% to 42% over the past 15 years, now representing the largest proportion nationally, and reinforcing the region's dominance as a logistics powerhouse.

However, land supply within Birmingham is extremely limited, at all scales but especially for larger industrial and logistics (I&L) schemes. Peddimore - the city's final strategic-scale site - has now been largely built out, with Phase 2 taken by Rockwool around 12 months ago. In 2025 there were no available units above 500,000 sq ft, and only two in the 400,000-500,000 sq ft range. Given Birmingham's constrained boundary, the requirement for new strategic-scale logistics capacity will need to be met in adjoining local authorities, something which is acknowledged by the latest West Midlands Strategic Employment Sites Study.

The shortage of land at all scales means that developers are increasingly focusing on recycling and upgrading existing industrial estates to align with occupiers' rising ESG and operational requirements and provide modern floorspace. The role of well-located secondary sites across the city in bolstering the supply of modern floorspace will continue to increase going forward, particularly those which offer excellent accessibility to the regional and national road network, a critical factor for I&L operators to ensure efficient access to markets, labour, and supply chains.

> Strong connectivity has helped the Midlands increase its share of UK industrial take-up from 26% to 42% over the past 15 years

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The Hub: Maximising productive capacity

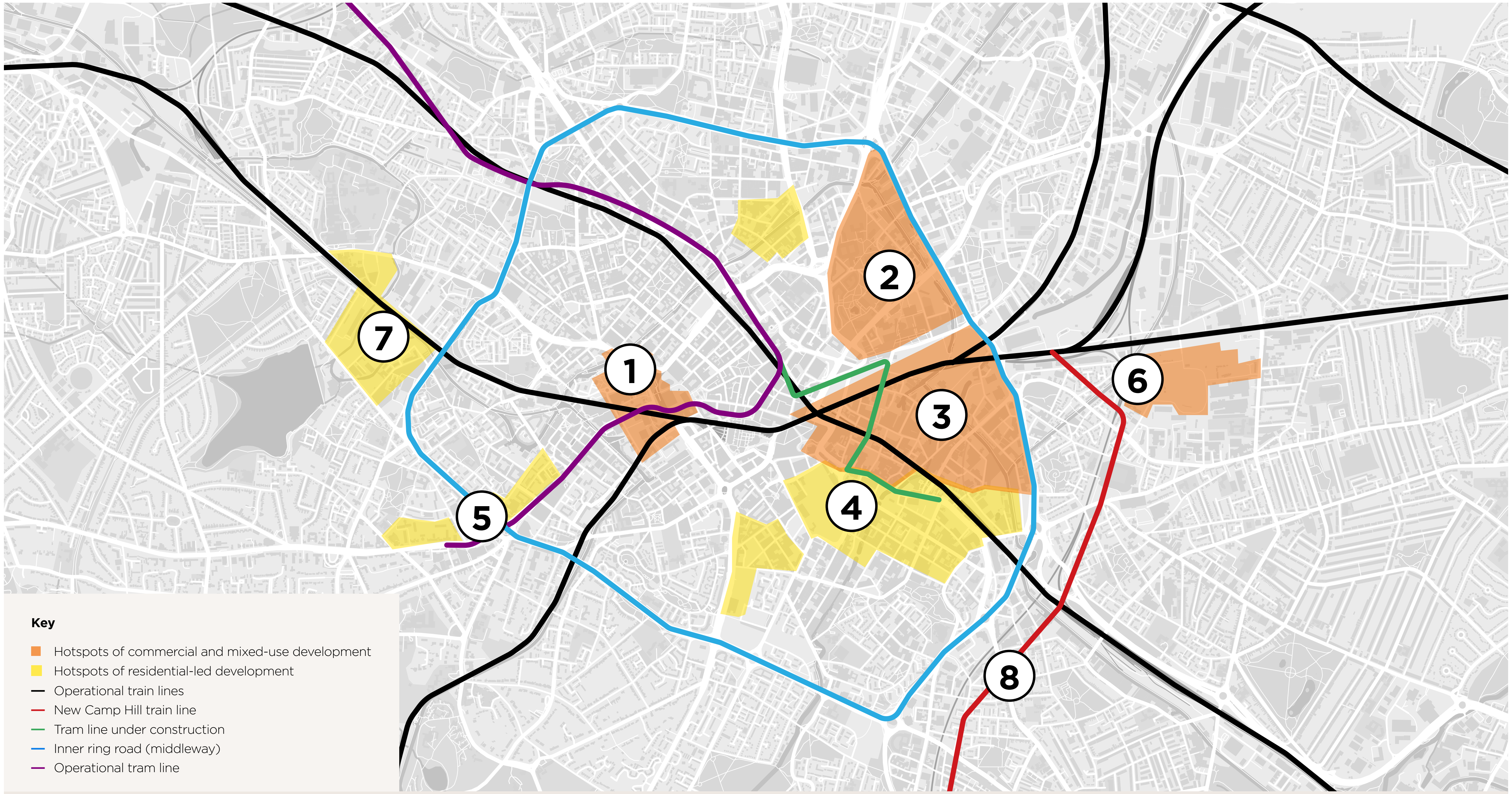
Urban agglomeration makes places, firms and people more productive through sharing, matching and learning effects. Larger urban markets allow people and firms to share fixed costs (particularly infrastructure and supply chains), so investment in transport is spread across a larger user base. Bigger employment markets allow firms and employees to better match their needs and their skills, and denser urban environments facilitate greater levels of knowledge creation and knowledge sharing, helping firms to innovate.

Birmingham city centre is the major economic hub in an urban area of around 2.6 million people, and should therefore provide these benefits in spades. But workers in Birmingham are currently less productive than the UK average in terms of generating GVA, and Birmingham has a lower share of its economy in high-value sectors than many of the other Big Six cities, according to Oxford Economics.

One explanation for this is that the urban area's functional size is much smaller than its total population would suggest. This is due to the relatively low density of Birmingham city centre, and the limited public transport infrastructure connecting the urban centres and the suburbs of Birmingham and the Black Country.

Experian's Census estimates for 2023 suggest that there are 456,000 people in employment in Birmingham local authority and 1.1 million across the West Midlands urban area. But just 119,000 people in employment can access Birmingham city centre in 30 minutes on public transport, barely half of the equivalent figure for Manchester. Many parts of the city are reliant on buses, on which travel time can vary significantly, particularly at peak times. This means that of those living within 30 minutes of the city centre, just a quarter use public transport to get to work and almost half drive.

Improved connectivity into and around the urban core is vital in driving the positive agglomeration economies that will make Birmingham more productive, and will encourage the growth of high-value employment sectors such as science, tech and finance.



INFRASTRUCTURE IMPROVEMENTS ARE KEY TO GROWTH IN BIRMINGHAM

1. The Paradise redevelopment has brought new high quality office space to the city centre
2. Birmingham's Knowledge Quarter is a key hub of education and innovation, centred around Aston and Birmingham City Universities
3. The redevelopment of former industrial land in Digbeth will be transformative. This is being facilitated by improvements in infrastructure, both with the HS2 terminus at Curzon Street and the local Eastside tram extension
4. The Smithfield regeneration project is at the heart of Digbeth's regeneration, providing a new mixed-use hub on a site the size of 17 football pitches. Other key elements include the BBC's new home at the Tea Factory and the Digbeth Estate to the north of the Custard Factory
5. The Westside tram extension to Five Ways and Edgbaston Village is supporting a pipeline of residential-led development along Broad Street and the Hagley Road
6. Birmingham Sports Quarter will open up a range of opportunities to the east of the city centre, facilitated by a future tram extension
7. The Port Loop regeneration uses the canals as a focus of leisure and a placemaking tool
8. The reopening of the Camp Hill train line will reduce journey times from Moseley, Kings Heath and Pineapple Road from 30-50 minutes by bus to 10-15 minutes by train

Knitting Together Birmingham's Eastside: Culture, Knowledge and Regeneration

Over the past decade, since HS2 was first announced, Birmingham's city centre has begun to move eastward, driven by major regeneration projects and infrastructure investment. The area is seeing significant growth in both its commercial and leisure offerings, anchored not only by the arrival of Curzon Street Station, but also by local transport links and the unique character of space offered in the area. Together, they form a cohesive extension of Birmingham's centre, signalling a new era for the city in the place where its growth began.

8,000
JOBS SUPPORTED BY SMITHFIELD REGENERATION

66%
INCREASE IN PLANNING APPLICATIONS

23%
GROWTH IN OFFICE RENTS 2021-2025

60,000
PASSENGERS EXPECTED TO USE CURZON STREET STATION PER DAY BY 2035

New areas of focus

HS2 will position Birmingham as a major connectivity hub, cutting travel time to London to just 49 minutes and adding thousands of extra rail seats daily. This improved accessibility is expected to boost the West Midlands economy by £10 billion over the next decade, driving regeneration and investment.

The impact can already be seen; office rents around the station have risen by 23% in the last four years to £27 per sq ft in 2025, showing the increased demand from commercial occupiers wanting to be near this hub. And plans for further development will be transformative for Birmingham's Eastside and the area around the Interchange station, with 41,000 new homes, 30,835 jobs, and 7 million sq ft of commercial floorspace planned within 1.5 miles of the two stations. Planning applications in the area have surged 66%, and project values have tripled to £15.4 billion.

The West Midlands Rail Hub complements HS2 by doubling regional rail capacity, improving links between Birmingham, Coventry, Wolverhampton and HS2 stations. It will unlock £2 billion in economic benefits and accelerate growth in advanced manufacturing, logistics and professional services - creating a well-connected region, that could overcome the agglomeration challenges the city currently faces.

An extended city centre

The wider Eastside area is also growing more attractive, with the former industrial district of Digbeth now forming a thriving creative hub. Its historic warehouses have been repurposed into studios, bars and cultural venues, attracting media and tech firms and driving increases in demand for space well beyond the reach of HS2. This is evidenced by office rents across Digbeth rising by 17% in the last four years to £23 per sq ft.

The provision of high quality office space is crucial in drawing these growing firms to the Eastside. The relocation of the BBC to a new headquarters at the former Typhoo Tea factory provides an anchor tenant and signals confidence in the area's creative economy, reinforcing Birmingham's role as a national media centre. Adding to this media cluster, MasterChef - one of the BBC's flagship shows - will be filmed at the new Digbeth studios, bringing national attention and further cementing the district's reputation as a creative powerhouse.

Adjacent to Digbeth lies the Knowledge Quarter, a cluster of education and research institutions anchored by Birmingham City University and Aston University. This district has evolved into a centre for learning, technology, and enterprise, fostering collaboration between academia and industry. Bruntwood SciTech has also established a significant presence here, reinforcing Birmingham's potential as a leading hub for science, technology, and innovation. Its proximity to HS2 and the city's innovation assets makes it a strategic location for knowledge-based growth.

Regeneration on this scale must include a diversity of land use, something which the Smithfield redevelopment is at the forefront of in Digbeth. It is set to become one of Birmingham's most significant mixed use districts, delivering more than 3,000 new homes and around 1.5 million sq ft of commercial and workspace as part of a £1.9 billion transformation. Its location provides the crucial hinge between the traditional retail core to the west and the emerging knowledge and creative economy to the east, and is expected to generate over 8,000 jobs once complete.

Crucially, these schemes are knitting together the east side of the city, linking Digbeth's creative quarter, the Knowledge Quarter's academic cluster, and Smithfield's mixed-use neighbourhood into a connected urban fabric. Together, they form a cohesive extension of Birmingham's centre, signalling a new era for the city, yet returning to its roots.

The Spokes: How infrastructure improvements are facilitating development

Better transport links into Birmingham city centre and between the urban centres of the West Midlands will fuel the demand for commercial space in the CBD, but will also facilitate development for multiple uses outside the centre around these new transport nodes.

Although HS2 has captured many of the headlines around transport improvements in Birmingham in recent years, the greatest development potential is likely to come from other links that will improve connectivity and capacity beyond the city centre and across the wider West Midlands.

Alongside a diverse range of uses in the urban core, Birmingham must provide high-quality, well-connected homes to encourage high-skilled workers into the city to support the growth of productive firms. Improved public transport connections are crucial for this, as they often mean that sites can support higher residential densities and command higher values, improving viability and enabling a higher quality of development.

Currently, residential densities are low in Birmingham for a settlement of its size, particularly immediately surrounding the city centre. The area within the Middleway inner ring road has a residential density of 8,125 people per square kilometre. A similar area of central Manchester is 20% denser at 10,242 people per sq km. Density drops off sharply to 3,300 people per sq km within 1km of the ring road.

The redevelopment of former industrial land adjoining Birmingham's CBD is well underway, and will be supported by the expansion of the tram network eastwards through Digbeth and the new Sports Quarter. In the two years to September 2025, there were 4,832 EPCs lodged for new homes within the Middleway, accounting for more than half of all new homes in Birmingham local authority, and a large increase compared to the 587 delivered ten years earlier. There are a further 11,100 homes on sites under construction in this area and 26,400 at earlier stages in the planning pipeline.

> "Over half of all new homes delivered in Birmingham over the last two years were located within the Middleway

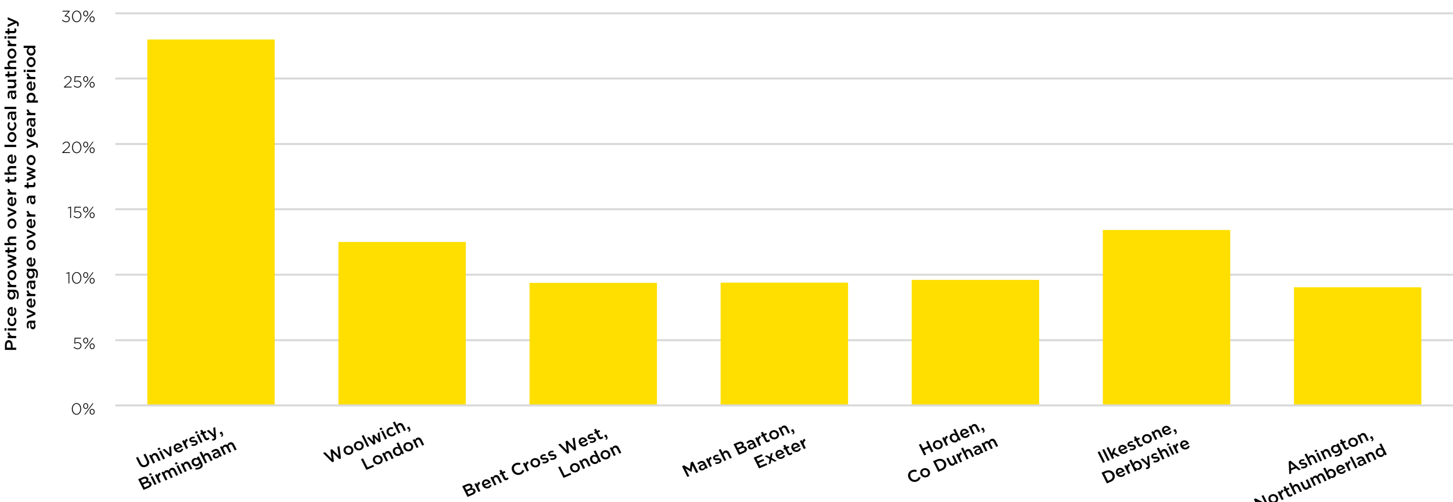
The strength of the brownfield pipeline reflects the relative lack of greenfield sites for development on the edge of the city. This is a challenge for not just residential development, but also industrial and logistics, where the West Midlands remains in high demand, being behind only the East Midlands in occupiers' ranking of preferred locations for new lets. This should prompt developers to look both at brownfield opportunities within the city, particularly considering change of use where older industrial units no longer meet occupier requirements, and also along key infrastructure corridors across the wider West Midlands area. The recently announced A46 realignment at Coventry, and the proposed M54 to M6 link road present significant long term opportunities to open up new locations.

Improving viability

The viability of schemes across the city centre and surrounding area will depend on value increases driven by the improved transport infrastructure and the regeneration premium which will come alongside the improved public realm, leisure and employment opportunities. Median values achieved across Digbeth and Deritend in the year to August 2025 were between £200 and £275 per sq ft, making the viability of more complex brownfield sites marginal.

But alongside a placemaking premium, there is encouraging evidence that infrastructure improvements could drive higher residential values. Within a kilometre of the selected new or redeveloped

FIGURE 1: RESIDENTIAL VALUE DRIVEN BY TRANSPORT IMPROVEMENTS



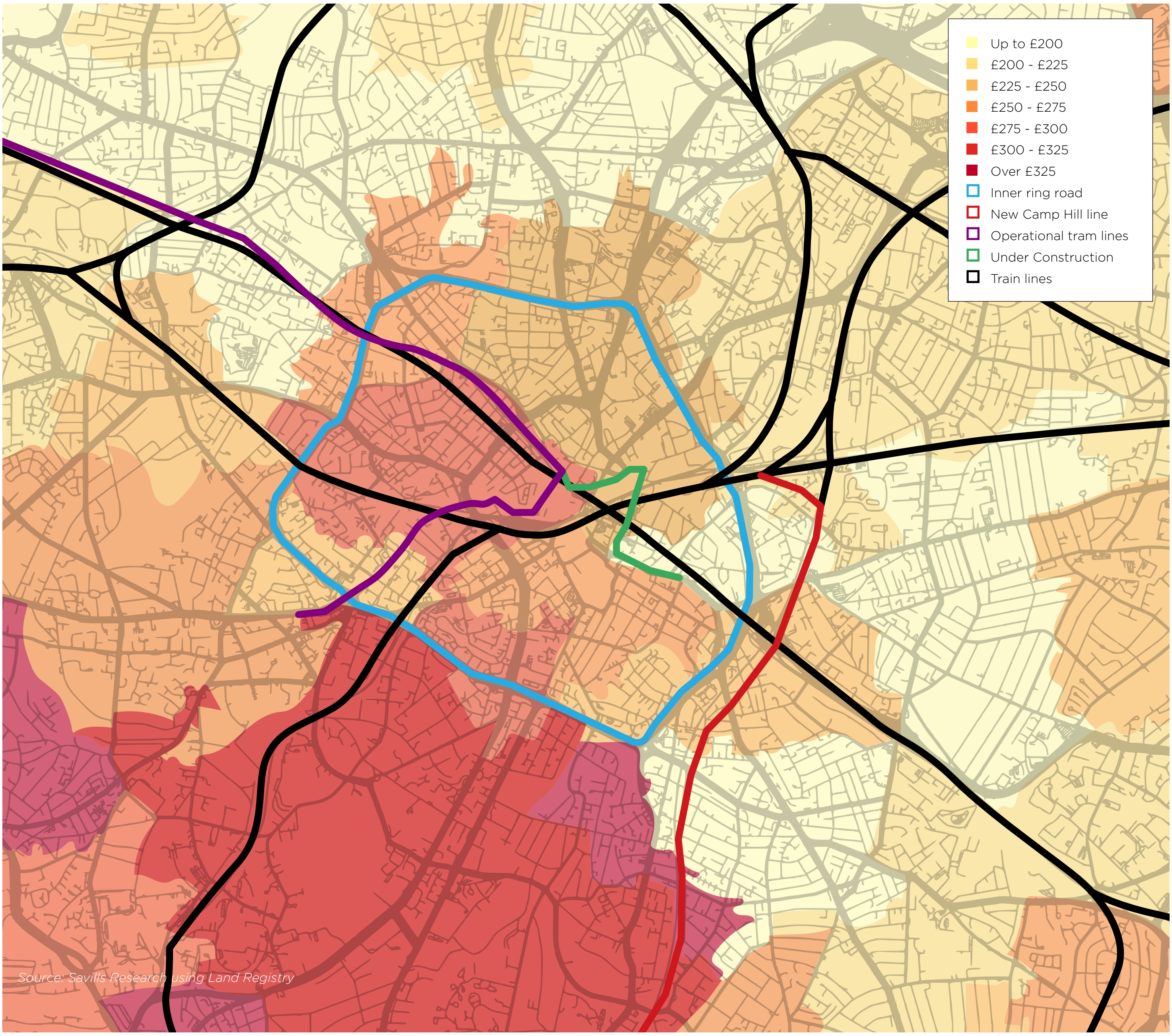
Source: Land Registry

train stations shown in the chart, house prices grew by around 10% more than the average for the wider local authority in the year before and year after each of these stations opened. University station in Birmingham saw a more significant growth premium around its redevelopment for the Commonwealth Games. Although the sample size of sales in this area is lower and the results may therefore be more volatile, this underlines the potential for the other transport improvements in Birmingham and the West Midlands to result in improved viability and greater development potential.

Transport improvements alone may in some cases be insufficient to drive improved viability, and the West Midlands can also seek to better use its pre-existing network of infrastructure to drive growth. Sales values for residential remain lower through Smethwick and West Bromwich, for example, which the tram and train network has served for some time. Here there is a key role for the West Midlands Combined Authority to play, alongside the local councils, to unlock the land opportunities and support regeneration, and it is encouraging that the Mayor has recognised this in the recent West Midlands Investment Prospectus, by designating this area a key Growth Corridor.

Forecast house price growth of 24.6% across the West Midlands region, with the potential for outperformance in those areas which are currently more affordable, should also go some way to unlocking these opportunities as well. Developers may therefore find that there are growth opportunities across residential, office, industrial and retail uses spanning further in the coming years than they have previously been accustomed to.

FIGURE 2: RESIDENTIAL VALUES PER SQUARE FOOT AND METRO INFRASTRUCTURE IMPROVEMENTS.



Source: Savills Research using Land Registry

Increasing density

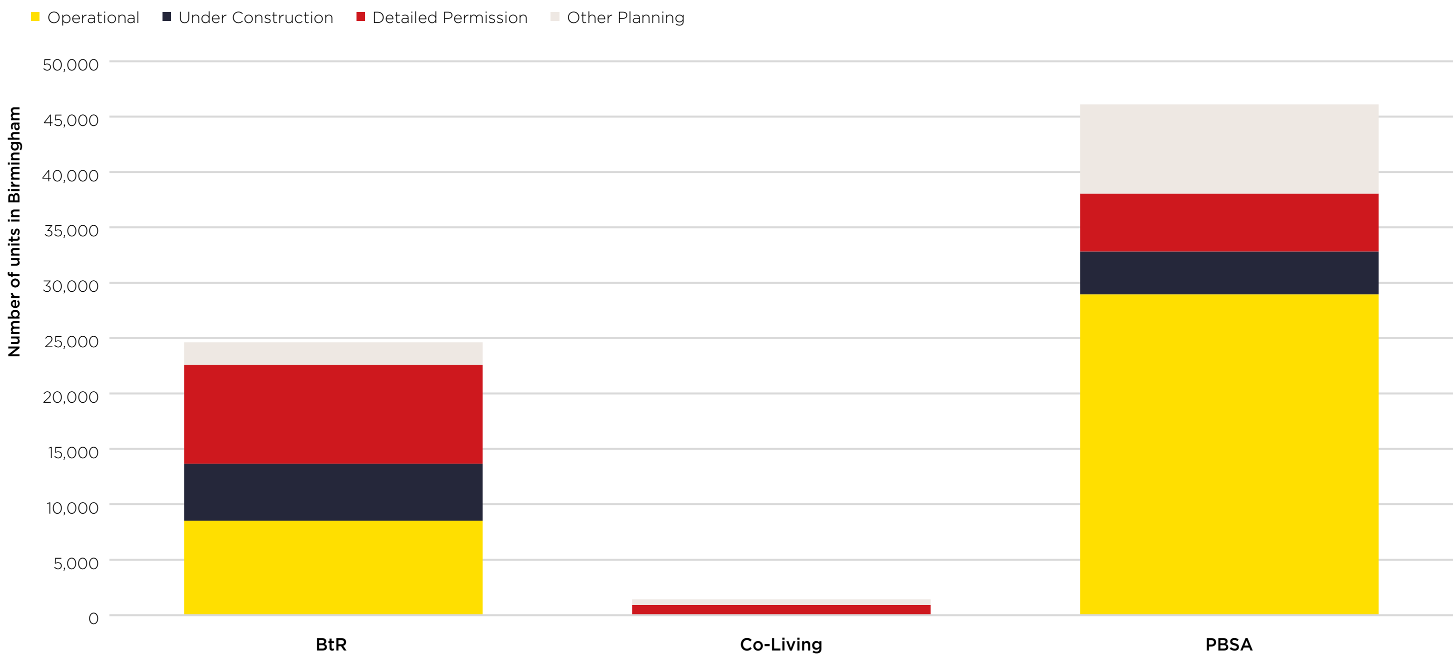
Along much of the new Camp Hill rail line, current residential values do not pose the same obstacle to development as in Digbeth or West Bromwich, with average sales values already in excess of £300 per sq ft across much of the line. In these locations, as well as surrounding the Midlands Metro extension through Dudley to Brierley Hill, the opportunity may lie instead in the potential to densify sites around the new transport hubs.

There is limited evidence so far that suggests an uptick in development around the Camp Hill or the Brierley Hill line stations. But there is a large pipeline of residential-led development in the inner city around the trams, particularly in Digbeth and along Broad Street and the Hagley Road. Growth in denser city living will be key in generating a more successful urban core, where agglomeration economies can be stronger.

Institutional investment in rental homes will be a key component of this. Investor interest in Build to Rent (BtR) has been strong and the pipeline has grown, particularly focused within the Middleway, but with potential to expand along improved transport links. Birmingham (alongside the wider West Midlands) is attractive to institutional capital, because the large young population offers a depth of demand for high-quality rental product. And for the city, the delivery of high-quality homes of varied tenures is important in attracting and retaining a range of skilled workers to fuel productive firms, including the 25,000 graduates which Birmingham's competitive universities produce each year.

High interest rates and build costs have made viability challenging in the last couple of years. This has caused starts across BtR and Co-Living to drop to just 186 in 2024 and 2,000 in 2025 (as of September). There are now around 10,000 homes with detailed planning permission that are yet to start. However, with rental growth of 32% across the city over the last five years, viability should improve, allowing more of these homes to start on site.

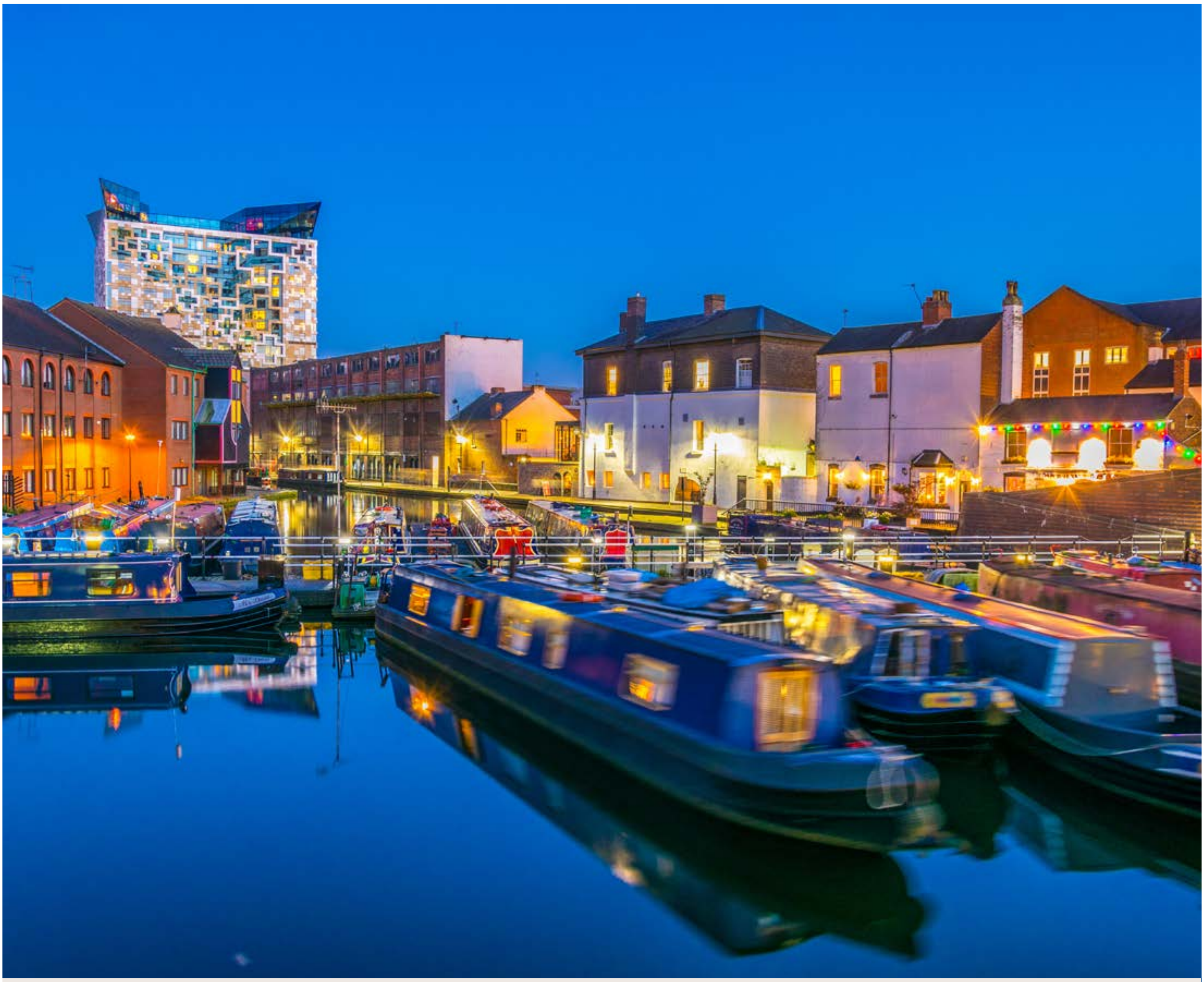
FIGURE 3: THE LIVING SECTORS IN BIRMINGHAM



Source: Savills, BPF, Glenigan

10%

OUTPERFORMANCE ABOVE THE AVERAGE IN AREAS IMMEDIATELY SURROUNDING NEW TRAIN STATIONS



Making best use of the Canal Infrastructure
The types of infrastructure which people and firms in Birmingham need have changed over time. Historically, the canals played a key role in the movement of goods. As this has declined, the canal network can instead support regeneration through a focus on leisure and residential uses, as is recognised in the Canal & River Trust's 10-year strategy. This development is helped by the potential for a waterfront premium – looking at the canals in the west of the inner city, where regeneration has already taken place, homes within 100m of the canal are on average worth 10% more per square foot than other homes within 1km of the canal.

Around 20% of the land adjacent to the canals within the inner ring road remains in industrial use – a legacy of its historic role, although much of this land, particularly towards the east, is under-occupied or vacant. Coupled with the improving transport, there is huge potential to unlock value through transforming the waterways from transport infrastructure to become the central focus of placemaking for new residential development.

The redevelopment of Icknield Port Loop by Urban Splash is an evolving example of this, and there are many other parts of the West Midlands, from Wolverhampton to Wednesbury and Cotteridge to Castle Bromwich, where regeneration of industrial land along the canals could provide high-quality homes, leisure and public spaces.

But in rationalising how our urban land is used, the West Midlands must also ensure that the Industrial and Logistics firms which are vital to the regional economy can maintain their productivity. Any urban residential-led regeneration must be combined with an increase in the provision of high-quality industrial space. This will encourage firms to relocate away from their current canal-side plots, which are less crucial in an economy where goods are moved by road, and towards the major road junctions where they can be most productive. This will allow the region to hold onto and develop a key strength, while also facilitating the growth of new spaces and new industries in well-located areas.

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