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## West Midlands property market update

September 2017



## Independent, free, expert advice on housing

Buying, selling or investing in today's variable market means you need to take a great deal of care before making a decision. It's essential to secure independent, up-to-date advice you can trust. Kate Faulkner and her team make it easy to access the information and support consumers' needs via FREE of charge [eBooks](#), checklists, [The Buy To Let Show](#), articles and one-to-one advice.



## Report Headlines



### Halifax

*"The annual % change in Q2 2017 for the West Midlands is +0.3%."*



### LSL Acadata HPI

*"Annual growth for the West Midlands in June was 3.3%."*

Coventry is doing well for price growth, with a relatively buoyant economy. (Page 4)

Image: © publicdomainstockphotos | Dreamstime.com



| West Midlands      | Highest average house price pre-credit crunch 2007/08 | Lowest average house price during recession 2009 | Market low +/- versus market height | Latest month's data Jun-17 | How much higher/lower are latest prices vs height in 2007/8 | How much higher/lower are latest prices vs 2009 low | Year on year change in price in Jun 17 | Annual average increase since 2000 | Highest yearly average increase since 2000 | Date  | % Increase |
|--------------------|---|--|-------------------------------------|----------------------------|---|---|--|------------------------------------|--|-------|------------|
| All property types | £165,807  | £136,966   | -17.39%                             | £185,082                   | 12%   | 35%   | 4.7%                                   | 6.5%                               | Jan-03                                     | 29.5% |            |
| Detached           | £264,255  | £220,220   | -16.66%                             | £299,704                   | 13%   | 36%   | 4.0%                                   | 5.9%                               | Mar-03                                     | 27.4% |            |
| Semi Detached      | £157,888  | £129,858   | -17.75%                             | £178,384                   | 13%   | 37%   | 5.0%                                   | 6.5%                               | Feb-03                                     | 30.0% |            |
| Terraced           | £131,839  | £108,131   | -17.98%                             | £146,445                   | 11%   | 35%   | 4.5%                                   | 6.9%                               | Jan-03                                     | 31.4% |            |
| Flat               | £119,647  | £97,798  | -18.26%                             | £124,103                   | 4%  | 27%   | 6.4%                                   | 6.3%                               | Jan-03                                     | 33.6% |            |

Source: UK HPI

| Asking prices                  |                                |                        | Mortgaged only prices          |                                |                         | Sold prices inc cash sales           |                                      |                  | Sold prices inc cash sales & new builds |                             |                     |
|--------------------------------|--------------------------------|------------------------|--------------------------------|--------------------------------|-------------------------|--------------------------------------|--------------------------------------|------------------|---|-----------------------------|---------------------|
| Rightmove Average Price Aug-16 | Rightmove Average Price Aug-17 | Rightmove % Change YoY | Nationwide Average Price Q2 16 | Nationwide Average Price Q2 17 | Nationwide % Change YoY | LSL Acadata HPI Average Price Jun-16 | LSL Acadata HPI Average Price Jun-17 | LSL % Change YoY | UK HPI Average Price Jun-16             | UK HPI Average Price Jun-17 | UK HPI % Change YoY |
| £208,186                       | £220,157                       | 5.8%                   | £174,389                       | £180,722                       | 3.6%                    | £204,836                             | £211,605                             | 3.3%             | £176,729                                | £185,082                    | 4.7%                |



## KATE FAULKNER COMMENTS ON PRICES

“ Pretty much every property investment company claims they can offer properties ‘at a discount’ in the West Midlands and this data shows why.

Property in this area ‘on average’ is good value and, although overall prices are currently rising, the level of increases haven’t been very high since the credit crunch. There is pretty much something for every purse in the West Midlands – with an average of £185,000, that means a 5% deposit required of UNDER £10,000 and a 95% mortgage

would cost just £750 on a repayment basis, not far off the average rent of £600-700 a month. For those needing to spend less, flats are available for less than £100,000 and, although property prices are growing, they are still doing so at a lower rate since 2000 and have only grown just over 1% per annum in the last 10 years.

No wonder property investment companies love to claim there are ‘bargains’ available – there are, but you can find them without spending a fortune on ‘property mentoring or sourcing’.

| West Midlands Towns & Cities | Highest average house price pre-credit crunch 2007/08 | Lowest average house price during recession 2009 | Market low +/- versus market height | Latest month's data Jun-17 | How much higher/lower are latest prices vs height in 2007/8 | How much higher/lower are latest prices vs 2009 low | Year on year change in price in Jun 17 | Annual average increase since 2000 | Highest yearly average increase since 2000 |            |
|------------------------------|---|--|-------------------------------------|----------------------------|---|---|--|------------------------------------|--|------------|
|                              |   |  |                                     |                            |   |   |  |                                    | Date                                       | % Increase |
| Birmingham                   | £148,578  | £122,773   | -17.37%                             | £171,386                   | 15%   | 40%   | 6.4%                                   | 6.6%                               | Feb-03                                     | 36.4%      |
| Coventry                     | £141,973  | £113,820   | -19.83%                             | £173,898                   | 22%   | 53%   | 7.3%                                   | 7.3%                               | Mar-03                                     | 30.8%      |

Source: [UK HPI](#)

**Table 2 First-time buyers: Average price, loan and deposit by region, 2017**

|               | Average House Price (£s) | Average Mortgage (£s) | Average Deposit (£s) | Deposit as % of purchase price |
|---------------|--------------------------|-----------------------|----------------------|--------------------------------|
| West Midlands | 164,737                  | 139,911               | 24,826               | 15%                            |

Source: [Halifax/CML](#)

| City       | Current price | %yoy Jul 17 | % last quarter |
|------------|---------------|-------------|----------------|
| Birmingham | £155,400      | 8.0%        | 1.9%           |

Source: [Hometrack](#)



## LSL Acadata HPI

“Every region in the UK still shows annual growth, however they all slowed in June. The biggest drops in annual growth were in Wales, the West Midlands, down 1.3% to 3.3%, and Yorkshire & Humber and the South East.” (Jul 17)



## Hometrack

“Every region in the UK still shows annual growth, however they all slowed in June. The biggest drops in annual growth were in Wales, the West Midlands, down 1.3% to 3.3%, and Yorkshire & Humber and the South East.” (Jul 17)

|                                  |          |
|----------------------------------|----------|
| FTB average paid                 | £154,881 |
| Trading up average price paid    | £211,628 |
| Cash purchase average price paid | £177,618 |
| New build average price          | £267,372 |

Source: [UK HPI](#)



## KATE FAULKNER COMMENTS ON TOWN AND CITY PRICE DIFFERENCES



Interestingly in the West Midlands, the average £155,000 that first-time buyers are spending isn't that different to the region's overall average of £185,000. In contrast, new build properties are selling at a quite a premium; reaching £267,000. Overall with key cities of

Coventry and Birmingham, both are doing well for price growth, with relatively buoyant economies. According to Hometrack, low stock levels coupled with affordable homes to buy is keeping prices buoyant when areas such as London and the South have slowed.

| Property Price Forecasts | Savills<br>2017<br>(Feb 17) | Savills<br>5 Yr Forecast<br>(Feb 17) | Knight Frank<br>2017<br>(May 17) | Knight Frank<br>5 Yr Forecast<br>(May 17) | Countrywide<br>2017<br>(Summer 17) | Chestertons<br>2017<br>(Nov 16) | Chestertons<br>2016-20 growth<br>(compounded)<br>(Nov 16) | NAEA<br>2017<br>(Dec 15) | YoY<br>%<br>Increase | Actual<br>UK HPI<br>Jun-17 | Actual<br>Nationwide<br>Q2 17 |
|--------------------------|-----------------------------|--------------------------------------|----------------------------------|---|------------------------------------|---------------------------------|---|--------------------------|----------------------|----------------------------|-------------------------------|
| UK                       | 0.0%                        | 13.0%                                | 1.0%                             | 14.2%                                     |                                    |                                 |   |                          |                      | 4.9%                       | 2.8%                          |
| Great Britain            |                             |                                      |                                  |   | 1.5%                               |                                 |   |                          |                      |                            |                               |
| England & Wales          |                             |                                      |                                  |   |                                    | 6.5%                            | 31.9%   |                          |                      |                            |                               |
| England                  |                             |                                      |                                  |   |                                    |                                 |   |                          |                      | 5.2%                       |                               |
| London                   | 0.0%                        | 11.0%                                | -1.0%                            | 12.5%                                     | 0.0%                               | 7.0%                            | 37.6%*  | £589,853                 | 7.1%                 | 2.9%                       | 1.2%                          |
| South East               | 2.0%                        | 17.0%                                | 1.0%                             | 17.0%                                     | 1.5%                               | 7.0%                            | 35.6%   | £407,428                 | 7.3%                 | 4.9%                       | 3.5%                          |
| South West               | 1.0%                        | 14.0%                                | 2.0%                             | 16.5%                                     | 1.5%                               | 5.0%                            | 25.8%   | £284,542                 | 3.9%                 | 5.3%                       | 4.4%                          |
| East of England          | 2.5%                        | 19.0%                                | 1.5%                             | 18.1%                                     | 3.5%                               | 7.0%                            | 36.9%   | £343,935                 | 7.5%                 | 7.2%                       | 5.0%                          |
| East Midlands            | 0.0%                        | 14.0%                                | 1.5%                             | 17.6%                                     | 2.5%                               | 5.0%                            | 25.8%   | £204,063                 | 1.5%                 | 7.1%                       | 4.1%                          |
| <b>West Midlands</b>     | <b>-0.5%</b>                | <b>13.0%</b>                         | <b>1.5%</b>                      | <b>17.6%</b>                              | <b>2.5%</b>                        | <b>4.5%</b>                     | <b>22.8%</b>  | <b>£212,894</b>          | <b>1.9%</b>          | <b>4.7%</b>                | <b>3.6%</b>                   |
| North East               | -2.5%                       | 9.0%                                 | 0.5%                             | 9.3%                                      | 0.0%                               | 3.0%                            | 14.8%   | £167,590                 | 3.2%                 | 2.5%                       | 1.1%                          |
| North West               | -2.0%                       | 12.0%                                | 0.5%                             | 10.4%                                     | 2.5%                               | 4.5%                            | 23.4%   | £198,660                 | 5.2%                 | 5.5%                       | 4.1%                          |
| Yorks & Humber           | -2.0%                       | 10.0%                                | 1.0%                             | 13.1%                                     | 2.0%                               | 4.0%                            | 21.1%   | £200,641                 | 4.7%                 | 4.9%                       | 2.3%                          |
| Wales                    | -2.0%                       | 10.0%                                | 0.0%                             | 8.8%                                      | 0.5%                               |                                 |   | £178,924                 | 1.4%                 | 3.6%                       | 1.4%                          |
| Scotland                 | -2.5%                       | 9.0%                                 | 0.1%                             | 11.0%                                     | 0.5%                               |                                 |   | £208,907                 | 4.6%                 | 2.9%                       | 1.7%                          |



## KATE FAULKNER COMMENTS ON PRICE FORECASTS



Moving forward, property price forecasts look to be some of the highest in the country; the UK average is expected to be around 13-14%, while prices in the West Midlands are predicted to rise by anything from 13-18%, likely to depend very much on the property type and location.

However, buyers, sellers and home owners shouldn't rely on this growth for the future as I expect it will be very patchy and investors need to make sure they build in capital growth from the start and be very wary of those offering 'below market value deals' in the West Midlands area.



## Sales volumes by local authority/county

| Local authority/county | Sales volume | Sales volume | Sales volume |
|------------------------|--------------|--------------|--------------|
|                        | Jan-Dec 15   | Jan-Dec 16   | YoY %        |
| Birmingham             | 13591        | 13585        | 0.0%         |
| Coventry               | 5149         | 5054         | -1.8%        |
| Herefordshire          | 2917         | 2993         | 2.6%         |
| Shropshire             | 5198         | 5324         | 2.4%         |
| Staffordshire          | 13624        | 14058        | 3.2%         |
| Warwickshire           | 10570        | 10276        | -2.8%        |
| Worcestershire         | 10300        | 10109        | -1.9%        |

Source: UK HPI

### SUPPLY AND DEMAND

The data below comes from Agency Express and gives an indication over a three-month period of what's happening to supply (new listings) and demand (properties sold over time).

|               | New listings |            | Properties sold |            |
|---------------|--------------|------------|-----------------|------------|
|               | May-Jul 17   | May-Jul 16 | May-Jul 17      | May-Jul 16 |
| West Midlands | -3.5         | 0.2        | -1.8            | 1          |

Source: [Agency Express](#)

Sales are only slightly down in wealthy Warwick.

Image: CC0 Creative Commons



### KATE FAULKNER COMMENTS ON PROPERTY TRANSACTIONS, DEMAND AND SUPPLY

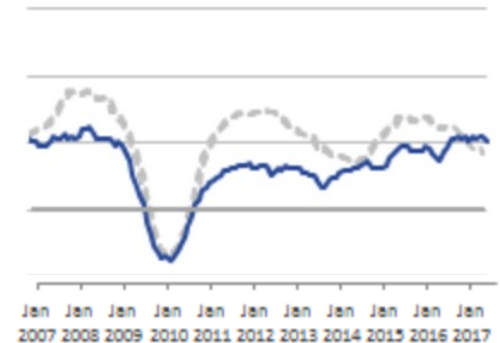


Volume wise, the area is holding up very well versus other parts of the UK. The property market here is still buoyant with sales up year on year and only slightly down in the more wealthy areas of Warwick and Worcester.

This data suggests demand is running slightly higher than supply, helping to generate gentle, but not out of control, property price increases and enough stock for the market to keep moving.

| LSL Average Monthly Rent Jul-16 | LSL Average Monthly Rent Jul-17 | LSL % Change YoY | Homelet Average Monthly Rent Jul-16 | Homelet Average Monthly Rent Jul-17 | Homelet % Change YoY | Belvoir Average Monthly Rent Jul-16 | Belvoir Average Monthly Rent Jul-17 | Belvoir % Change YoY | ONS Index of PRS Rental Prices % Change over 12 months Mar-17 |
|---------------------------------|---------------------------------|------------------|-------------------------------------|-------------------------------------|----------------------|-------------------------------------|-------------------------------------|----------------------|---|
| £599                            | £610                            | 1.8%             | £663                                | £680                                | 2.6%                 | £726                                | £737                                | 1.5%                 | 2.5%  |

### West Midlands



Source: [ONS](#)

| Belvoir       | Highest average monthly rent pre-credit crunch 2008 | Lowest average monthly rent during recession 2009 | How much higher/lower are latest rents vs 2008 height | How much higher/lower are latest rents vs 2009 low | Average Monthly Rent Jul-16 | Average Monthly Rent Jul-17 | % Change YoY | Annual average increase since 2008 |
|---------------|---|---|---|--|-----------------------------|-----------------------------|--------------|------------------------------------|
| West Midlands | £625  | £620  | 17.9%   | 18.9%  | £726                        | £737                        | 1.5%         | 1.8%                               |

(Note: Dotted grey line shows average England 12 month % change)

## Index of Private Housing Rental Prices:

% change over 12 months, Jan 07 to Jul 17

| ONS           | Lowest % change over 12 months during recession 2009/2010 | Highest % change over 12 months pre-credit crunch 2008 | % Change over 12 months Jul-17 |
|---------------|---|--|--------------------------------|
| West Midlands | -1.5%   | 2.5%   | 2.2%                           |

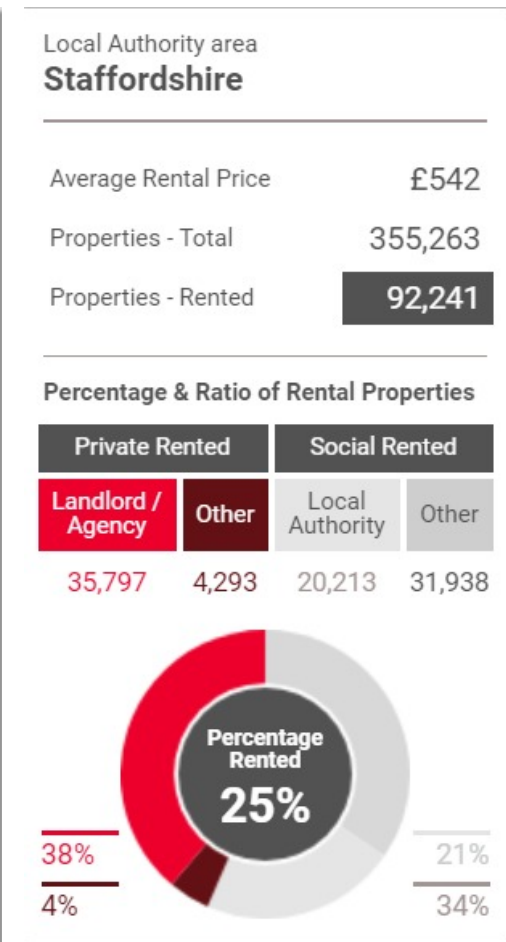
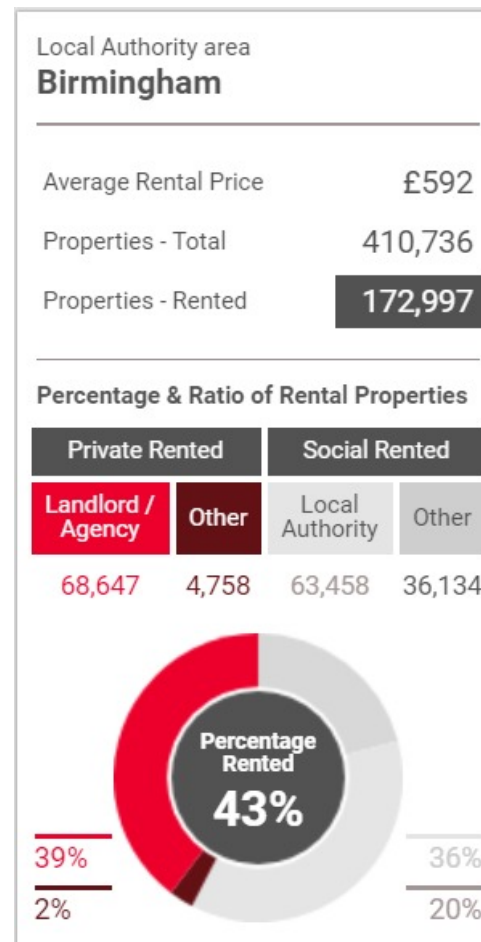
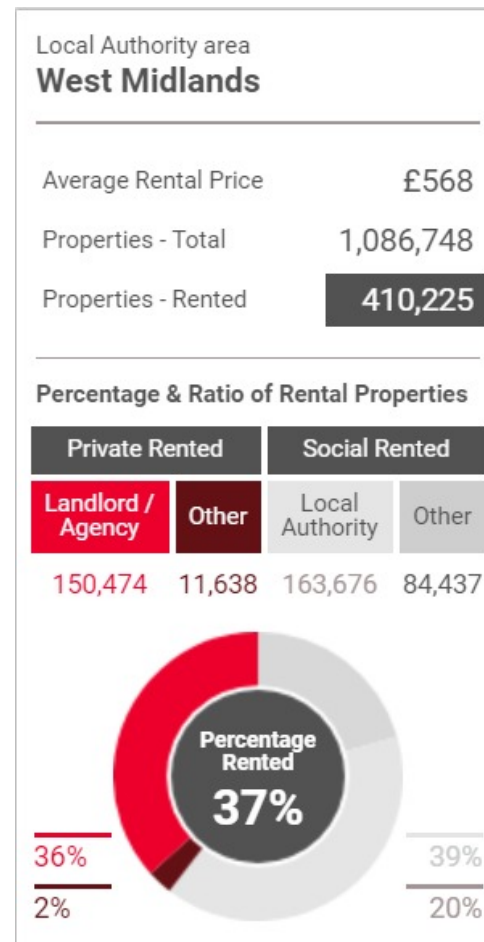
Source: [ONS](#)

| Location       | 2018      | 2019      | 2020      | 2021      | 2022      | 5-year compound growth |
|----------------|-----------|-----------|-----------|-----------|-----------|------------------------|
| UK             | ☁️☀️ 2.5% | ☁️☀️ 2.5% | ☁️☀️ 3.0% | ☁️☀️ 3.5% | ☁️☀️ 3.5% | 15.5%                  |
| London         | ☁️☀️ 3.0% | ☁️☀️ 3.0% | ☁️☀️ 3.5% | ☁️☀️ 3.5% | ☁️☀️ 3.0% | 17.0%                  |
| UK excl London | ☁️ 2.0%   | ☁️ 2.0%   | ☁️☀️ 3.0% | ☁️☀️ 3.5% | ☁️☀️ 3.5% | 15.0%                  |
| Wages          | ☁️☀️ 3.0% | ☁️☀️ 3.0% | ☁️☀️ 3.0% | ☁️☀️ 3.5% | ☁️☀️ 3.5% | 17.0%                  |
| CPI            | ☁️ 2.0%   | ☁️ 1.5%   | ☁️ 2.0%   | ☁️ 2.0%   | ☁️ 2.0%   | 9.5%                   |

Source: [Savills](#)

## Rental Trends

For more information on rental and market trends in the West Midlands, Direct Line have produced an interesting interactive [‘heat’ map](#) of the UK showing the percentage and ratio of rental properties, together with average rental prices. Here are some examples of the results from areas in the West Midlands. To check out your Local Authority area, visit the [Direct Line Landlords Rental Hotspots interactive heat map](#).



## KATE FAULKNER COMMENTS ON THE RENTAL MARKET

“ The rental market is performing OK in the region. Rents are pretty good value for money, with the indices showing rents varying from £550 a month through to just under £750. Rental inflation is not the ‘sky high’ levels often suggested by anti-landlord groups with all

indices – including the government’s ONS – showing rental rises of sub 2% a year. This is good news for tenants as it suggests there is a relatively good demand versus supply situation which is keeping rents reasonably competitive.



## Yields

| Region        | Rents July (£) 2017 | One month change | Yields July 2017 |
|---------------|---------------------|------------------|------------------|
| West Midlands | 610                 | 0.04%            | 4.1%             |

Source: [LSL](#)

## Auction data

| West Midlands         |                      |
|-----------------------|----------------------|
| May 2017 to July 2017 | Residential          |
| Lots Offered          | 925 (830) ▲ 11.4%    |
| Lots Sold             | 722 (665) ▲ 8.6%     |
| Percent Sold          | 78.1% (80.1%) ▼ 2.5% |
| Total Raised          | £87M (£79M) ▲ 10.1%  |

Source: [EI Group](#)



Worcester, where sales are only slightly down (see Page 6).

Image: CC0 Creative Commons



### KATE FAULKNER COMMENTS ON THE INVESTMENT MARKET



From an investment perspective, the West Midlands can be a great place to find a property and make money. However, investors need to be realistic and accept this is unlikely to come from natural property price growth so must therefore be built in by buying below market value or finding a way to drive capital growth through adding value from the day the property is bought. Landlords also

need to bear in mind that overall, rental income is not growing in line with inflation, so must watch their costs, especially if they plan to rely on rental income for a pension. Landlords should make sure they are on the best mortgage rate and balance cost cutting versus making sure the property is maintained to the proper safety and legal standards.



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