ACCORD LETS

Making sense of property investment in Birmingham

"Hello!

IAN CULBERT
MANAGING DIRECTOR,
FOR LETTINGS NORTH

I'd like to welcome you to your Birmingham Lettings Market Insight Report. As a landlord, it's important to understand what's happening in your investment area and also to be able to appeal to the changing needs of tenants.

In this guide you'll find straight-talking advice and essential information on the rental market in Birmingham. There's also lots of inspiration to be found in our investor story which illustrates landlord Revlin's experience in property and discusses the challenges, opportunities and influences that have helped him get to where he is today.

This guide is a must-read for hundreds of property investors like you.

I hope you find it useful.
Happy reading."

To succeed in property, you need to arm yourself with the right knowledge and work with the best people. Let's start with...

house prices in Birmingham...

Terraced	Semi-detached
£177,800 Average sold price	£230,000 Average sold price

and the local rental market...

£768 Average asking rent	**2.9%** Rental price change year-on-year
0.5% 3-year compound annual growth rate	**1.2%** 5-year compound annual growth rate
14 days Time to let	**-27.1%** Change in time to let since a year ago

Source: Zoopla Advantage In Your Area (2022)
https://advantage.zpg.co.uk/in-your-area/

Our top 5 rental hotspots for Birmingham

1. Birmingham city centre – B1

First up we've got the city centre. Birmingham city centre catapulted right to the top of our property hotspot list. And for good reason too. Over the last year, house prices here have boomed. Of course, the transport links in Birmingham are already pretty good, but add a HS2 station into the mix and you have the recipe for an investment hotspot to firmly keep your eye on. From Grand Central to the Jewellery Quarter and beyond, Birmingham city centre offers investor opportunities galore. According to Zoopla, the city offers an impressive average yield of 6.56%.

2. Jewellery Quarter – B18

There's no doubt that the Jewellery Quarter remains one of the top investment locations in Birmingham city-centre. It offers a quaint 'village feel' but it's well connected to the central city, which makes it a popular choice with young professionals. Properties near the Jewellery Quarter Station have seen some of the biggest price rises – so it should really be on your radar of places to invest in property this year.

What could you earn from property?

FIND OUT

3. Edgbaston - B15

Recognised for its sporting heritage, Edgbaston also happens to be one of Birmingham's most affluent postcodes and it's a clear investment hotspot. For investors that want a buy-to-let property in an area with established capital growth, Edgbaston is the place to keep your eye on. The growth here is driven by high tenant demand - particularly with young families who are looking for a safe place to live. Just ten minutes from the city-centre, Edgbaston has a buzzy vibe and also hosts Birmingham's first-ever Michelin-starred restaurant.

4. Selly Oak - B29

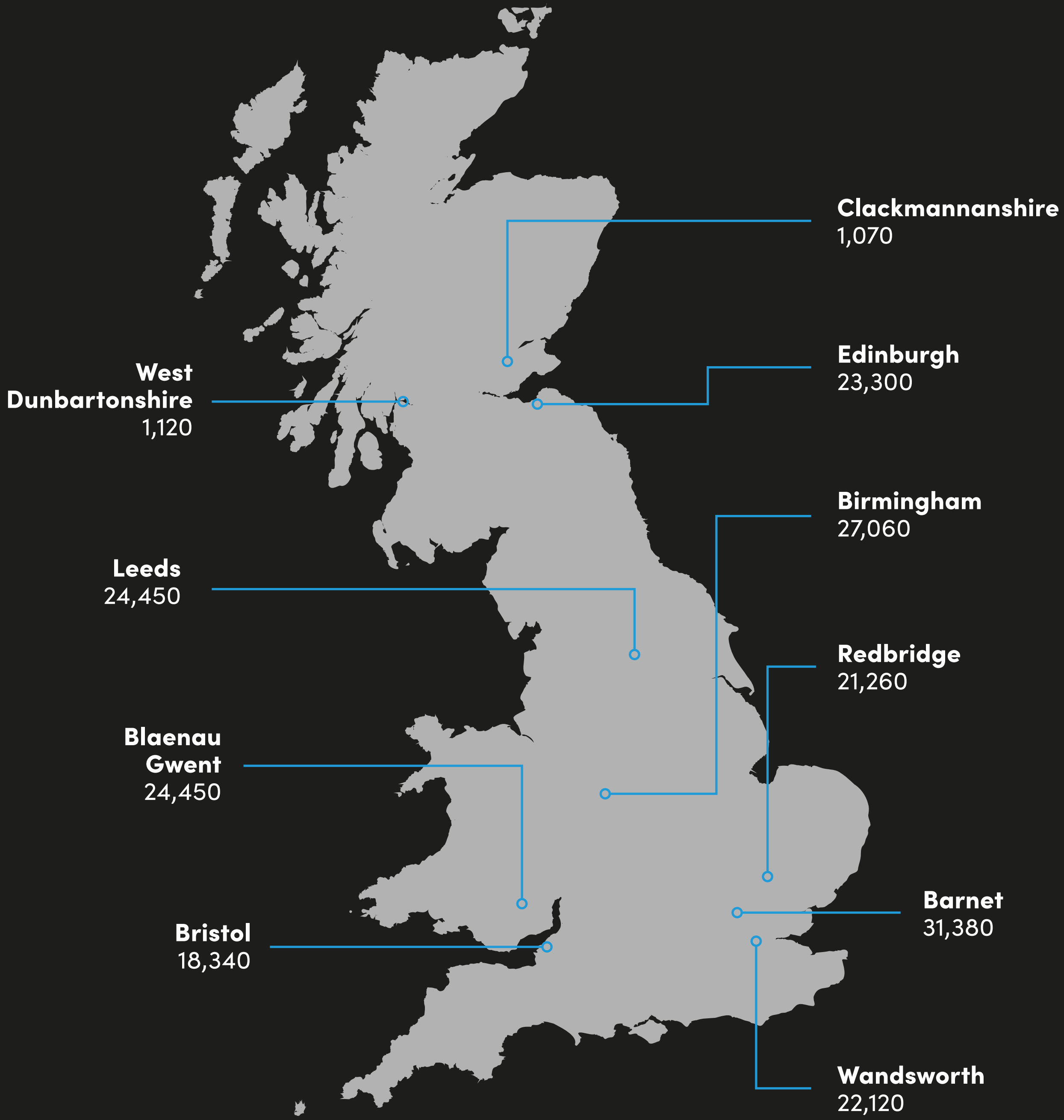
Selly Oak is just four miles from Birmingham City Centre. In recent years the place has transformed from a predominantly family area to a bustling cosmopolitan student area, bringing in high rental yields and a growing economy. With the newly built shopping centres and eclectic vibe, it's a place people want to live. It is now one of the most vibrant and exciting places to live in Birmingham so investing here is a safe bet - especially with the rental yields which currently stand at 7.10%

5. Digbeth - B5

B5 is a charm. It belongs to Digbeth - a neighbourhood picked out by The Sunday Times as the 'coolest in Britain'. Located just a few minutes' walk from the city centre, Digbeth really is the place to be. Despite its popularity, house prices here are still fairly low compared to the rest of the U.K so it makes for a solid investment. It offers so many independent and artisan restaurants, bars, pop-up stalls, and creative spaces. It attracts tenants from all walks of life but they tend to be young professionals looking for a trendy place to live. You'll find old warehouses that have been restored to create new trendy living spaces, plus there are plans for a HS2 station nearby which will benefit in future. Unsurprisingly, Digbeth is a hotspot for investors.

Want to find out more?

If you're interested in exploring buy-to-let opportunities in the area, as well as building a portfolio that delivers life changing results, do get in touch. **We're only a call away.**



Landlord hubs revealed:

HMRC has released data showing how many landlords live in each county, city and town within the UK. This information was published by The Negotiator*.

The cities with the largest number of landlords include Birmingham (27,060), Leeds (24,450), Edinburgh (23,200) and Bristol (18,340) whilst the London boroughs with the highest counts include Barnet (31,380), Wandsworth (22,120) and Redbridge (21,260).

The counties with the highest concentrations of landlords are Buckinghamshire (35,220), Cornwall (32,980) and Wiltshire (26,420). The places with the smallest landlord population are largely in Wales and Scotland including Blaenau Gwent (850), Clackmannanshire (1,070) and West Dunbartonshire (1,120).

The figures also reveal that the total landlord population in the UK now exceeds 2.65 million people, which just goes to show that the buy-to-let market is very much alive and kicking.

Birmingham properties
in the spotlight...

Low property prices and robust yields mean that investing in Birmingham property can mean strong gross total returns for investors. In some neighborhoods, house prices are still incredibly cheap relative to the U.K. average. You can buy a house here for £90,000 and charge £750 in rent per month - which gives you a gross yield of 10%. Not too shabby.

A brilliant investor opportunity, this studio apartment is located off the Hagley Road in the ever-popular Edgbaston. Offering easily maintained and heated accommodation, it's a perfect turn-key investment. Plus there are communal gardens and allocated parking to the rear.

https://www.dixonsestateagents.co.uk/properties/15487671/sales/BRW220105#/

Potential rental income: £7,200 per year
Offers in the region of: £55,000
Yield: 13.1%

A spacious 2 bedroom semi-detached house which makes for the perfect investment. The property is located within easy access to Moseley, Balsall Heath, Sparkhill and Sparkbrook and it's close to some great local schools too. You're on a good transport line directly into Birmingham city centre so, for tenants who work in Birmingham, you couldn't be better placed.

https://www.dixonsestateagents.co.uk/properties/15712386/sales/BCC210159#/

Potential rental income: £9,000 per year.
Offers in the region of: £125,000
Yield: 7.2%

Buy-to-let property deals, revealed.

Here are some Birmingham property deals that have been sourced exclusively for you*

B5 Property Deal

- Cash Investment Opportunity
- Easy reach of Birmingham city centre.
- Secure underground parking
- 24hr concierge
- Highly desirable location

Potential rental income: £9,300 per year
Guide Price: £90,000
Yield: 10.3%

B14 Property Deal

- Quiet cul de sac
- Good transport links
- Local amenities are in abundance
- Well rated schools nearby
- 2 double bedrooms
- Desirable location

Potential rental income: £9,000 per year.
Offers in the region of: £150,000
Yield: 6%

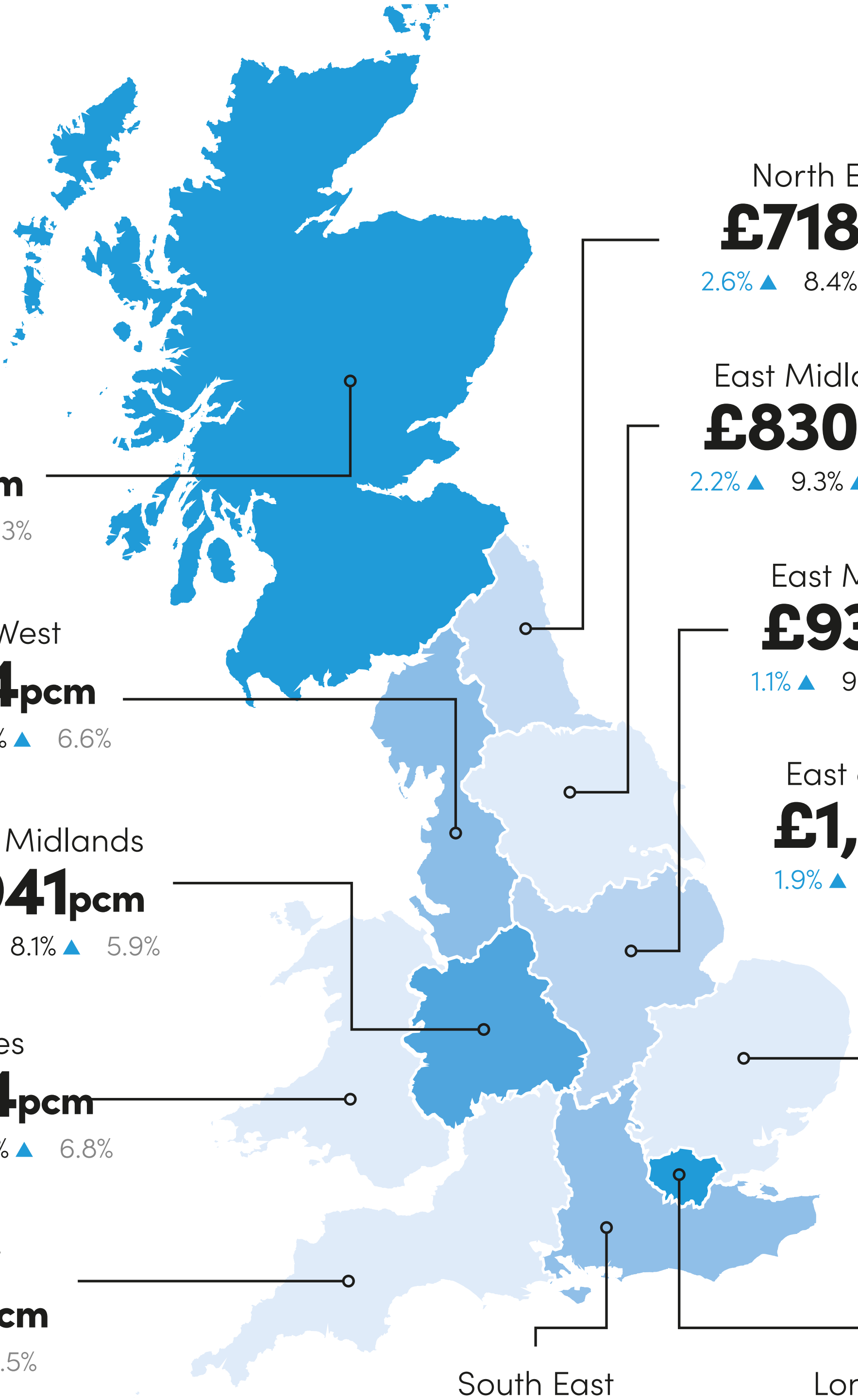
Like what you see?

Head to dixonsestateagents.co.uk for more information.

*Example yields which cannot be guaranteed.

The price is right...

What sort of rental profits can be made in different parts of the country?**



Scotland
£826pcm
2.6% ▲ 7.0% ▲ 7.3%

North East
£718pcm
2.6% ▲ 8.4% ▲ 7.9%

East Midlands
£830pcm
2.2% ▲ 9.3% ▲ 6.5%

North West
£924pcm
2.7% ▲ 12.5% ▲ 6.6%

East Midlands
£935pcm
1.1% ▲ 9.0% ▲ 5.9%

East of England
£1,313pcm
1.9% ▲ 9.7% ▲ 5.3%

West Midlands
£941pcm
2.4% ▲ 8.1% ▲ 5.9%

Wales
£874pcm
3.3% ▲ 12.7% ▲ 6.8%

South West
£1,180pcm
2.3% ▲ 11% ▲ 5.5%

South East
£1,514pcm
1.7% ▲ 9.8% ▲ 5.2%

London
£2,142pcm
6.1% ▲ 10.9% ▲ 4.6%

Quarterly change % **Annual change %** **Average yield %**

**Source: Rightmove: https://hub.rightmove.co.uk/rental-trends-tracker-q4-2021

Should you set up a limited company?

If you're letting out a property in Birmingham, you'll be aware of tax increases that threaten to squeeze your buy-to-let profits. You can no longer offset your mortgage costs against your tax bill and this has led many investors and buy-to-let owners to wonder whether the numbers still add up. Setting up a limited company could be a smart choice for you.

This table shows the difference in tax bills for a **lower rate taxpayer** (20%) between 2017 and 2020:

	2017	2020
Annual Income	£35,000	£35,000
Mortgage Costs	£10,000	£10,000
Other Expenses	£5,000	£5,000
Allowable Relief	£15,000	£5,000
Tax bill	£800	£1,800

This table shows the difference in tax bills for a **higher rate taxpayer** (40%) between 2017 and 2020:

	2017	2020
Annual Income	£95,000	£95,000
Mortgage Costs	£20,000	£20,000
Other Expenses	£8,000	£8,000
Allowable Relief	£28,000	£8,000
Tax bill	£15,999.40	£19,599.40

*Information is based on current taxation rules and rates but is subject to change.

What's the difference between yield and return on investment?

Yield and return on investment are two different ways of measuring the profitability of your property investment over a set period of time. The yield is the income the investment returns over a year, divided by its value and it's usually calculated as a percentage.

The return on investment is a calculation of the possible return relative to how much money you invested in the property. This takes into account all of the costs involved.

Should you set up a limited company?

We've pulled together some of the benefits and downsides of setting up a limited company to help you decide whether or not it's right for you...

Benefits of a limited company

- When you own through a limited company, you have to pay corporation tax which is currently 19% rather than individual income tax rates
- Transferring a property between companies could mean you don't need to pay stamp duty, inheritance tax, or capital gains tax
- You can still offset your mortgage costs against your profits in a limited company, which will save you money
- You may benefit from greater legal protection due to 'limited liability', which means if something goes wrong you're only liable for the money you put in

Downsides of a limited company

- If you set up a limited company, you'll have more responsibilities like filing accounts and tax returns
- It might be harder to get a buy-to-let mortgage for a limited company, although the number of products has increased recently
- There may be costs for switching to a limited company from a sole trader, and if you take profits out of the company, you'll have to pay income tax
- You're probably going to need specialist advice from a broker or accountant, which could cost you more and make the process slightly longer

To sum it up...

It's not a one-size-fits-all approach, and the tax benefits will very much depend on you and your situation. On the whole, if you have just one or two properties then having them in your personal name may be the better option. If you're near the tax threshold of £50,270 or you're planning on building a portfolio of properties, then perhaps it's worth exploring the limited company route. We always recommend that you take independent tax advice before making any decisions.

Money Talks: Our Investor Story

Revlin is a property investor. His portfolio currently includes an impressive 28 properties across the U.K. and he says he's only just getting started...

> **"Don't wait to buy property, buy property and then wait"**

Tell me a little bit about yourself. When and why did you decide to invest in property?

Well, my parents got divorced when I was very young. After that, life took a slight downward spiral for me and I got involved with the wrong crowd. I didn't have any role models or aspirations or goals. I was actually kicked out of school and I sort of accepted that I might not amount to much. I started smoking, fighting and just wasting time. But property changed everything for me.

My mother bought a property and I started to help her with it – we converted it into a HMO and then rented it through the council. I must have been just 14 years old and my mum gave me the chance to rebuild my life. She gave me little jobs around the house and I would go ahead and do them. I learned on the job and it really gave me a sense of achievement. Property gave me a purpose again – and it had a knock on effect on me. I took up boxing, and I gave up smoking. I realised that I had nothing in common with my friends anymore. I met my partner and we started building together from there. That's when I decided to start my property business properly and I've now built up a portfolio of over 28 properties. I love my life now – I get to earn money and also provide a fantastic service to people who need a home – and that's really what drives me.

What was your goal when you first started?

Hmm. Good question. My main goal initially was to earn enough to retire. That's what I wanted. I was aiming to make £2,000 a month but I soon got to that point and I still really enjoyed it. I also got a kick out of providing work for others so it sort of snowballed. I spent years in other careers but I soon realised that my passion in life was property. Plus, seeing as property prices tend to double every 7-10 years, I thought I could create a healthy retirement pot through real estate investments.

Money Talks: Our Investor Story

What was your first deal?

If I'm honest with you, when I was going for my first deal, people thought it was risky. I have to admit it did need a LOT of work but if you wait for the perfect deal, you'll be waiting forever. There's a saying which goes: "don't wait to buy property, buy property and then wait" and I truly believe in it. Since I bought this property, I've turned it into a HMO and it's generating a healthy monthly rent as well as a good amount of equity.

Tell us how you scaled up to where you are now?

Ignore the idea that property and business success is for "other people" when in reality, it's available to anyone. You need to get yourself in the right mindset and really give it your all. My best piece of advice is to keep costs low when you get started - that's one of the ways that I really scaled up my business quickly. I never took money out of my company and I just kept re-investing. Anything that I made from my day job, I would also try and reinvest in property and then save up for my next deposit. I just want to be fully in charge of my money which is why I don't have a traditional pension. A pound today isn't worth the same value in 20 years' time whereas, if you buy in the right area, your money in real estate is going to appreciate naturally.

> **"I'm a big believer in doing your calculations and due diligence and taking some risks - but remember, if it sounds too good to be true, it probably is."**

What's the biggest mistake you've made and what did you learn from it?

Honestly, not starting soon enough. I think to myself, what if I started taking it seriously 10 years earlier? I've missed out on so many deals throughout the years because I was always looking for the very best one. There were so many deals where I should have gone ahead but I lost out on them for a couple of thousand pounds. Honestly, don't look for the perfect deal - just get started as soon as you can.

What type of yield do you look for in a buy-to-let property deal?

I decided to outsource the management to an agent. I have a mix of HMOs* and standard vanilla buy-to-lets in my portfolio and they honestly look after themselves. The yield I tend to look for is about 10% but this varies depending on the investment opportunity.

What's your best advice for a new landlord starting out?

Just go for it. If you can't afford to go it alone, think about teaming up with someone else, but don't buy when property prices are at their peak. Right now, it is a very difficult market and property prices are high. There are still some great below market deals to be had if you know where to look. Get your first property and treat it as a learning curve. That's what I did and it really worked. The journey of a property investor is an interesting one, with no two days the same. I'm a big believer in doing your calculations and due diligence and taking some risks - but remember, if it sounds too good to be true, it probably is.

*HMOs are subject to mandatory licensing and additional costs of compliance. Lettings advice should always be obtained about properties which are HMOs or that may be deemed an HMO.

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