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The Midlands

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The Midlands Is Not One Market. It Is Three, Moving In Different Directions.

The headline number on the Midlands looks unremarkable, which is exactly why it is being misread. West Midlands prices are up 2.7% year on year, level with the UK. East Midlands prices are up 3.2%, half a point ahead of the UK. Rent growth in both regions is running ahead of the national rate, 4.4% and 3.7% against 3.3%. On the headline alone, the Midlands looks like a solid, unspectacular regional story. It is not. It is three separate markets moving in three separate directions at once, and the regional average is hiding all three.

The first divergence is between prime and near-prime houses and flat-heavy city centre stock, and it is running in every Midlands city simultaneously. Birmingham's B15 postcode is up 21% year on year and 14% above its 2023 peak, while B1 in the same city is down 21% and still 26% below its own 2023 peak. Nottingham's flat-specific price is down 5.3% year on year even as the authority average sits at plus 0.7%. This is not a Birmingham problem or a Nottingham problem. It is a stock-type problem wearing a regional disguise, and every investor pricing the Midlands off the authority average alone is pricing the wrong asset.

The second divergence sits in the transaction data most investors never see: rent growth materially outpacing price growth in specific, overlooked local authorities. North West Leicestershire is up 6.0% on price and 9.7% on rent. Lichfield is up 4.5% on price and 8.4% on rent. Neither carries the name recognition of Birmingham or Nottingham. Both are outrunning the entire regional index on income, and the market has not yet repriced them for it.

This edition treats the Midlands as what the data says it is: not one investment case but a small set of distinct ones, each with its own entry price, its own risk, and its own timeline. HS2's Birmingham capability is now not expected before 2036, automotive employment is re-anchoring specific towns faster than the region's own productivity figures admit, and leasehold service charge cost has become a live arithmetic factor at exactly the price points where flat stock concentrates. What follows names where the divergence is investable, and where it is a trap.

The Real Divergence

The real divergence in the Midlands is not West Midlands against East Midlands. Both regions are broadly tracking the UK headline. The real divergence is prime and near-prime houses against flat-heavy city centre stock, and it holds everywhere the data was checked. Birmingham: B15 up 21% year on year, B17 up 13%, against B1 down 21% and B13 down 4%. Solihull: B91 up 2% and 6% above its 2023 peak, against B90 down 5% and B93 down 7%, a seven point spread inside one district. Nottingham: flats down 5.3% year on year authority-wide against an authority average of plus 0.7%, with NG2 carrying a house-led premium 6% above its own 2022 peak.

The mechanism behind the flat-side weakness is now measurable rather than anecdotal. The Property Institute's 2026 benchmark puts the average leaseholder service charge at £2,880 a year, rising to £4,447 for buildings over 18 metres and £5,208 for buildings over fifty years old, with Building Safety Act compliance costs up 53% year on year. Repeat sale evidence in both B1 and NG1 already shows units selling below their purchase price on flats bought as recently as 2018 to 2021. The service charge data explains why.

Prime suburb scarcity in Birmingham and Nottingham is compounding, not correcting.

City centre flat stock across the region is repricing down and will keep doing so until leasehold and service charge cost is priced into every offer.

Automotive employment is re-anchoring Coventry and Solihull faster than the region's own productivity data admits.

Yield in the Midlands is not where the headline believes it is. It is in North West Leicestershire and Lichfield, not in the cities.

Structural Drag: Leasehold And Service Charge

Flat-heavy postcodes carry a cost structure the headline price does not show. The Property Institute's 2026 Service Charge Index puts the national average leaseholder charge at £2,880 a year, but that figure roughly doubles for taller and older stock: £3,507 for buildings between 11 and 18 metres, £4,447 above 18 metres, £5,208 for buildings over fifty years old. Building Safety Act compliance cost is up 53% year on year and reserve fund contributions are up 26%. This is a national benchmark, not a Birmingham or Nottingham figure specifically, but it lands directly on the flat-heavy stock in B1 and NG1 that this edition has already flagged as repricing down.

Stamp duty adds a second, better-quantified drag at the price points this edition's stronger locations actually trade at. A UK-resident investor buying at the cheapest full-entry proxy in this dataset, NG1 at £181,283, pays £10,189.81 in SDLT. At the top of the candidate set, B93's £580,759 average, the bill rises to £48,075.90. At a round £1,000,000 Midlands prime price point, an investor pays £93,750.00 before a single pound of renovation or void cost is accounted for. None of this is absorbed by sentiment. It is arithmetic that has to be priced into the offer from day one.

£10,189.81	**£48,075.90**	**£93,750.00**
Investor SDLT NG1 avg £181,283	Investor SDLT B93 avg £580,759	Investor SDLT Prime Midlands £1,000,000

The Towns Worth Reading Carefully

Birmingham City Centre *(B1)*

Opportunity: distressed leasehold flats trading meaningfully below their 2023 comparables, for cash buyers with a genuine hold horizon. Avoid: any B1 flat purchase without a full service charge and building safety audit completed first.

B1 averaged £187,778 over the last 12 months, down 21% year on year and 26% below its 2023 peak of £252,742. Flats average £180,274 against terraces at £290,333, and the gap is widening rather than closing. Repeat sale evidence confirms the pattern at unit level: Kettleworks sold for £165,000 in April 2026 against £215,000 paid in January 2022, a loss of 23.3%; Cube East sold for £100,000 against £195,000 paid in 2018, a loss of 48.7%. Birmingham's authority-wide flat price is down 3.5% year on year even as the authority average price is essentially flat at plus 0.3%, confirming this is a stock-type problem, not a city-wide one.

This is a buyer's market for cash, not for leverage. At current repeat-sale losses, B1 flats are pricing in a leasehold discount the market has not yet formally acknowledged.

Birmingham Prime Suburbs *(B15 / B17)*

Opportunity: B15 and B17 houses, where scarcity is compounding against a city centre correction. Avoid: treating B13 as part of the same story. It is neither peak-recovered nor cheap.

Do not blend Birmingham's suburbs into one figure. B15 averaged £500,978, up 21% year on year and 14% above its 2023 peak, with detached stock averaging £1,121,556. B17 averaged £415,264, up 13% year on year and now 1% above its 2022 peak. B13 sits apart from both: £318,515, down 4% year on year and still 3% below its 2023 peak. Repeat sale evidence in B15 and B17 confirms the strength directly: 25 Niall Close sold for £600,000 in April 2026 against £552,000 in July 2022; 9 Ravenhurst Road sold for £530,000 against £335,000 paid in 2015, a gain of 58.2%.

B15 and B17 are now pricing scarcity, not recovery. B13 is the value case, if you are patient enough to wait for the same compounding to reach it.

Solihull *(B91, with caution on B90 / B93)*

> *Opportunity: B91 houses, the only Solihull postcode still compounding above its 2023 peak. Avoid: B90 and B93 on the assumption Solihull moves as one district. Both are down year on year.*

The Solihull split is a three-way divergence, not a district average. B91 averaged £501,505, up 2% year on year and 6% above its 2023 peak, detached stock averaging £772,831. B90 and B93 moved the other way: B90 down 5% to £347,189, seven percent below its 2022 peak; B93 down 7% to £580,759, twelve percent below its 2023 peak, despite carrying the highest detached average in the set at £794,189. Repeat sale evidence in B93 shows the range: Glendon Way sold for £830,000 against £500,000 paid in 2012, a gain of 66%, alongside Foxglove House selling for £209,500 against £252,950 paid in 2020, a loss of 17.2%. B93 also carries the highest SDLT exposure in the full candidate set, and JLR's continuing Solihull manufacturing commitment remains the underlying employment anchor for the district.

> *B91 is the compounding trade. B90 and B93 are stock-picking exercises, not district plays, and B93 in particular punishes the wrong entry price.*

Nottingham City Centre *(NG1)*

> *Opportunity: NG1 flats for income only, at a price that already reflects the correction. Avoid: NG1 for capital growth, and any purchase into new student accommodation supply without checking vacancy first.*

NG1 averaged £181,283, up a modest 3% year on year but still 11% below its 2021 peak of £204,100. The authority-wide picture is worse for flats specifically, down 5.3% year on year against an authority average of plus 0.7%. Repeat sale evidence confirms the trend at the sharpest end: Nottingham One sold for £160,000 in March 2026 against £213,000 paid in May 2014, a loss of 24.9%; Pinnacle sold for £156,000 against £191,000 paid in 2017, a loss of 18.3%. Nottingham also carries the region's clearest supply warning: purpose-built student accommodation vacancy has risen to 12.7% in 2025/26 from 11.2% the year before, with studio vacancy at 16.1%, a direct signal against treating student population growth as automatic rental strength.

> *NG1 shows a derived gross yield of 6.34%, the highest official reading in this edition, but that yield is compensation for repeat-sale losses, not a discount waiting to be captured.*

West Bridgford / Rushcliffe *(NG2)*

> *Opportunity: NG2 houses, the house-led premium NG1 does not have. Avoid: assuming NG2 is coterminous with West Bridgford. The postcode runs wider than the neighbourhood.*

NG2 averaged £356,789, down 2% year on year but still 6% above its 2022 peak of £335,941, detached stock averaging £566,799. The official Rushcliffe authority figure is stronger again at £338,000, up 3.5% year on year, against an authority rent of £1,037 and a derived gross yield of 3.68%, the lowest yield of any full entry in this edition and the clearest evidence that NG2 is priced for capital preservation, not income. Repeat sale evidence shows the range: Chestnut Grove sold for £345,000 against £295,000 paid in 2019, a gain of 16.9%; Wenlock Drive sold for £167,000 against £136,500 paid in 2015, a gain of 22.3%.

> *NG2 is the defensive complement to NG1, not a substitute for it. Buy NG1 for yield with your eyes open, buy NG2 for capital preservation and accept the lower income.*

Coventry *(CV1)*

> *Opportunity: CV1, the strongest transaction-average growth of any city centre postcode in this edition, backed by real automotive capital commitment. Avoid: reading the 12% as durable without stress-testing the employment base it depends on.*

CV1 averaged £178,040, up 12% year on year and now broadly level with its own 2023 peak of £177,712, terraces averaging £174,601 and flats £140,595. The official Coventry authority figure is more modest at £220,000, up 1.3% year on year, meaning the CV1 postcode is materially outperforming its own local authority index. Repeat sale evidence supports the strength: 24 Orwell Road sold for £148,500 against £64,995 paid in 2003, a gain of 128.5%; Riley House sold for £157,500 against £113,000 paid in 2002, a gain of 39.4%. Coventry and Warwickshire account for roughly 10% of UK automotive jobs, and JLR's five-year £18bn investment commitment through FY2029 keeps Solihull manufacturing relevance intact even as WMCA data shows regional productivity fell 2.4% per hour and 3.0% per job in 2023.

> *Coventry is repricing on its own employment story, not the West Midlands average. That is the trade, and it only holds if JLR's commitment holds.*

Stratford-upon-Avon *(CV37)*

> *Opportunity: CV37 rental growth running ahead of price growth into a market with a documented five-year land supply gap. Avoid: assuming that gap resolves quickly. The council itself says it cannot currently demonstrate one.*

CV37 averaged £444,710, flat year on year and broadly level with its 2022 peak of £446,841, detached stock averaging £654,104. The official Stratford-on-Avon authority rent grew 5.1% year on year to £1,140 against price growth of only 2.8%, the clearest rent-outpacing-price signal of any full entry in this edition. Stratford-on-Avon and South Warwickshire councils state they cannot currently demonstrate a five-year housing land supply, a planning position that increases pressure on existing stock rather than reducing it. Repeat sale evidence shows the range: Venus Way sold for £800,000 against £700,000 paid in 2018, a gain of 14.3%, against Churchill Close selling for £296,000 against £325,000 paid in 2017, a loss of 8.9%.

> *Stratford is a rental growth story wearing a flat price chart. The land supply gap is the reason to expect that gap to widen before it closes.*

Watchlist

Watchlist: Leamington Spa (CV32). Postcode average down 5% year on year and 8% below its 2023 peak, a town premium without current momentum to justify a full call.

Watchlist: Warwick (CV34). Broadly tracking its local authority index at minus 6% year on year, with no independent divergence from Leamington or Stratford strong enough to separate it.

Watchlist: Leicester City (LE1 / LE2). Official authority price and rent are solid, but postcode-level transaction averages could not be verified to publication standard this edition. Do not confuse the local authority figure for a postcode call.

Watchlist: Oadby & Wigston (LE18). Official rent growth of 4.8% against a flat headline price is a genuine yield signal, but the postcode-level evidence behind it did not clear the research bar this edition.

Watchlist: Worcester (WR1 to WR5). Official authority data is solid and rent growth of 4.4% is respectable, but the city-centre postcode figure could not be reproduced reliably and no regeneration scheme cleared the *evidence bar.*

Watchlist: North West Leicestershire. The strongest price and rent momentum in the entire dataset, at plus 6.0% and plus 9.7% respectively, held back from a full call only by the absence of a postcode-level anchor to convert a district read into a street-level one.

Watchlist: Kenilworth (CV8). Broadly flat postcode year on year, 4% above its 2022 peak, a prime price point currently without momentum.

Watchlist: Lichfield. Price growth of 4.5% and rent growth of 8.4% both outpace the regional average, held back from a full call only by thinner postcode-level transaction evidence.

Watchlist: Rugby. Rent growth of 5.1% against a flat headline price is a real yield signal. Flats specifically are down 3.1% year on year while the rest of the picture holds.

Watchlist: Derby. The lowest entry price in the dataset at £205,000, with modest positive momentum. Worth tracking rather than acting on this edition.

Selected Data Signals

Macro / Structural

£44.2bn	2036 to 2039	£3.8bn	-21%
HS2 spend to end March 2026 DfT / HS2, May 2026	HS2 Birmingham Curzon St opening window DfT / HS2, May 2026	WMCA Futures Fund WMCA, May 2026	B1 postcode sold-price change YoY HMLR / Rightmove, to Apr 2026

Income / Rental

+9.7%	+8.4%	6.34%	£4,447
North West Leicestershire rent growth YoY ONS, June 2026	Lichfield rent growth YoY ONS, June 2026	Nottingham derived gross yield Sandhütel calculation	TPI avg service charge, buildings over 18m TPI, May 2026

Macro and structural figures are corridor-specific where a postcode or scheme is named, and national context where not. Income and rental figures are official ONS or Sandhütel-derived calculations from official inputs, not portal estimates.

Read together, these eight figures say the same thing from two directions. The macro row shows capital committed but delayed: HS2 spend is real at £44.2bn but its Birmingham payoff sits nearly a decade out, and B1's minus 21% shows what happens to a flat-heavy postcode left waiting for a catalyst that has not arrived. The income row shows where the market has already moved: North West Leicestershire and Lichfield are compounding rent growth well ahead of price, and Nottingham's 6.34% derived yield sits inside a market carrying real repeat-sale losses, not a clean opportunity.

Neither row should be read in isolation. The investor case in this edition is built from both: patience for the macro catalysts that are genuinely coming, and immediate allocation to the income signals that are already here.

The Sandhütel Read

The Midlands is not underperforming the UK, and it is not outperforming it either. That is the headline reading, and it is the wrong question. The real story is a stock-type and postcode-level split running through every city in the region at the same time: prime and near-prime houses pulling away from flat-heavy centres, regardless of whether the surrounding local authority is West or East Midlands.

Two signals connect to make the case. First, Birmingham's B15 and B17 divergence from B1, plus 21% and plus 13% against minus 21%, is not a Birmingham-specific event. Nottingham shows the identical pattern in NG1 against NG2, and the mechanism behind it is now quantifiable rather than anecdotal: The Property Institute's 2026 data puts service charges on buildings over 18 metres at £4,447 a year, and Nottingham's student accommodation vacancy has climbed to 12.7%. The flat-side weakness in this region is a cost and supply story as much as a demand one, and it is systemic, not local.

The allocation argument follows directly. Capital should concentrate in the prime and near-prime houses carrying the compounding, B15, B17, B91, and the NG2 corridor, and in the yield outliers the market has not yet repriced, North West Leicestershire and Lichfield. City-centre leasehold flats in B1 and NG1 should be treated as income assets only, priced after a full service charge audit, never bought as a growth position. Coventry and Stratford earn selective allocation on their own independent stories, automotive employment and land-supply constraint respectively, not as extensions of a regional theme.

At Sandhütel, our approach in the Midlands is the same one we apply everywhere: read the postcode, not the region, and price the leasehold liability before you price the opportunity.

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Over 15 years' leadership across credit strategy, investment management and real asset development, including as Global Head of Credit Product Management at Barclays Wealth. There he led balance sheet strategy, product governance and commercial growth across the UK, EMEA and Asia.