



2019 PREDICTIONS: MIDLANDS

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LOOKING AHEAD: THE MIDLANDS IN 2019

The booming confidence of 2016 has somewhat dissipated across the region as Brexit, combined with the natural business cycle, has served to dampen expectations. However, there are still significant opportunities to be grasped and the Midlands could well be one of the UK's 2019 success stories.

The regional economy still has room to grow with more 'slack' than over-heated economies in London and the South East. The challenge is ensuring that in uncertain times, the political gains made through devolution are not sucked back to Whitehall and that investment continues to flow.

The region's lowest hanging fruit has - for the most part - already been picked, leaving the more challenging opportunities yet to be exploited. In 2019, both business and policy-makers may need to be more creative to identify opportunities for growth. However, with London's economy slowing we are expecting increasing investment flows away from the capital. Birmingham especially is well-placed to grasp it.

However, with key set-piece events such as the Commonwealth Games and Coventry City of Culture coming up in the early 2020s, 2019 could well drift by as a year of 'preparation' rather than excitement, and potentially of further disruption as development work continues at pace across the region.

BIRMINGHAM WILL BENEFIT FROM LONDON'S STAGNATION

London, which has so long been the driving force of the UK economy is stagnating. The housing market is the prime example and has been contracting as years of price inflation make most of the city unaffordable. London boroughs, following significant investments in recent years are proving increasingly combative - even anti-development - in their approach to new investment, making it more difficult and time-consuming to deliver.

Already, housing developers are looking elsewhere for better value and better opportunities. Birmingham fits the bill. With excellent transport links, lower land values, a young population and a City Council which is unashamedly pro-development we would expect to see some serious capital drift into the West Midlands. Berkeley Homes, Moda Living and Lend Lease are recent examples of developers taking a serious stake in the West Midlands economy. This will continue in 2019, particularly in the residential market.

THE MIDLANDS IS MORE EXPOSED TO BREXIT THAN MOST

Despite being in decline for decades, the manufacturing base of the Midlands still underpins its economy. Being able to move 'stuff' both into and out of the country remains critically important to jobs, investment and economic growth. East Midlands Airport remains the UK's biggest cargo airport.

Jaguar Land Rover, despite lobbying MPs to support Theresa May's withdrawal deal, has already announced it will build the new Defender - that quintessentially British 4x4 - in Slovakia, as well as allowing rumour of 5,000 job cuts to leak right before Christmas.

Rolls-Royce and other heavy manufacturers have also sounded alarm bells with news of job losses, although the scale of the problem is often dependent on the views of the CEO. JCB, based in the East Midlands, felt so confident about 2019 it gave every member of staff a £1,000 bonus.

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Regardless of the outcome of the Brexit negotiations, we would expect to see serious government support for the manufacturing sector in 2019 and growing warnings about the state of the manufacturing sector. Expect some hard-hitting economics to hit the headlines, especially in the first weeks of the New Year.

FEWER ELECTIONS, BUT ELECTIONEERING STARTS NOW

Having moved to four-yearly elections, there will be no Council vote in Birmingham this year. Those working in the city will be pleased to hear that they will be operating in less turbulent political waters. However, the election of a West Midlands Mayor is now only 18 months away so for the incumbent Mayor electioneering begins now.

With the advantage of 18 months in office, Andy Street will be looking for quick-wins and engaging photo opportunities. If you want to start something new with the Combined Authority, don't bother. But if you want a photo with the mayor - now's the time. The focus of 2019 will be tying up loose ends and creating the foundations for an election campaign in early 2020.

Expect the Labour candidates to begin jostling for position towards the end of the year. Sion Simon is unlikely to stand again, but local MPs such as Iain Austin - with wafer thin majorities and anti-Corbyn sympathies - could well fancy their chances. This process could get heated, with several Labour camps within the West Midlands, as well as those for and against Corbyn.

OCCUPIERS NEEDED

For some of the region's most significant regeneration opportunities, 2018 was another year without a flagship occupier. Aside from HMRC's pre-let at Arena Central, large commercial occupiers remain thin on the ground. Paradise Birmingham, Friargate Coventry and Three Snowhill in Birmingham are some of the more high-profile schemes awaiting occupation.

Brexit uncertainty is undoubtedly playing a part, although businesses with long-term investment plans in the Midlands are unlikely to be put off and 2019 could be a year with some significant deals done.

Three Snowhill will be complete in early 2019, without a major occupier, whilst Two Chamberlain Square (part of the Paradise development) is due to complete later in the year. Friargate is ready to start on its second building subject to an occupier being found.

Assuming we see more certainty around Brexit, we should expect some major deals by the end of the year. However, 2019 is still likely to be a tough 12 months for commercial developers and demand for Grade A space may well slip back from the highs of 2017/18.

HIGH STREET DECLINE WILL CONTINUE, BUT IT'S NOT ALL BAD

Falling footfall and greater competition online have resulted in a tough 2018 for high streets. There have been plenty of warm words from local, as well as national, politicians including pots of money set aside for investment in town centres. This will do little to stop the slide, and 2019 will see a continued pressure on local centres.

However, it's not all bad for the Midlands. Located in the heart of the country, four hours away from 90-ish per cent of the population, the region has been well-placed to benefit from the boom in logistics and distribution.

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This will continue into 2019 as online behemoths such as Amazon - or logistics giants such as DHL - expand their appetite for commercial space. Amazon has already invested heavily in Coventry, and land close to the M6 such as IM's Peddimore scheme, is in high demand, despite often crippling congestion on the motorway.

So, whilst lamentable, the decline of the UK's high street might well benefit the region, create jobs and stimulate further investment.