



# Manchester Residential Research Report 2016

CHESTERTONS

# Manchester Residential Research Report 2016

## Introduction

Manchester is the economic engine of the North West and the regional centre for finance, commerce, retail, culture and leisure. The economy has been growing at an average rate of just under 3% per annum for the past decade and is forecast to accelerate over the next decade. More than 140,000 people are currently employed within the city centre, a number which is projected to rise consistently over the next five years. The city is also a leading hub of the UK's Northern Powerhouse agenda to promote growth and regeneration outside London and the South East.

Manchester's economic growth has been driven by the rapid expansion of a number of sectors including commercial and professional services, science and research, culture and media, advanced manufacturing and information and communications technology (ICT). It is now one of the top European cities for business location.

It is also a centre of excellence for research and learning and boasts one of the largest student populations in Europe. It is home to several higher education institutions including the University of Manchester, the Manchester Metropolitan University (MMU), the Royal Northern College of Music, the Central Manchester University Hospitals and the University Hospital of South Manchester. The University of Manchester and Manchester Metropolitan University alone have over 64,000 students between them – around 12.5% of the city's population.

## Connectivity

The growth of the Greater Manchester area has been supported by significant investment in infrastructure. The £1.5bn Greater Manchester Transport Fund (GMTF) has been in operation since 2009 while the Greater Manchester Transport Strategy 2040 will guide future investment strategy.

Among the major schemes is the expansion of Manchester's city Metrolink tram system, which

Manchester benefits from excellent transport links both nationally and internationally with Manchester Airport (the largest in England outside the south east) being the primary international gateway for the North of England.

The city has undergone a remarkable transformation since the mid-1990s. Widespread regeneration and thoughtful urban design have created a distinctive contemporary city centre with high-quality new buildings and landscaping. The redevelopment of the city and the rising popularity of city-centre living has resulted in the population rising since the turn of the century, after having fallen to its lowest level in over 100 years in 1999. The population of the city centre has trebled in the past decade to reach just under 25,000, with this figure increasing to 50,000 when the fringe areas are taken into account.

The private rented sector has increased significantly in recent years and now represents around 20% of housing. Household projections and demographic trends from the council suggest that future demand for flats is likely to be considerable. The combination of strong tenant demand and attractive yields make the city a popular location for residential investors. The strong projected economic growth and rising population imply strong future capital and rental growth prospects for residential property.

will have tripled in size when complete and already operates between the city centre and the airport. Looking further ahead, the city is expected to benefit greatly from the completion of HS2, which will cut the journey time to London from just over two hours to 68 minutes. Also planned is the £560 million Ordsall Chord scheme which will link Manchester Victoria and Manchester Piccadilly stations and will significantly increase capacity at both stations.

Just 20 minutes from the city centre, Manchester Airport is the third largest in the country and handles more than 22 million passengers each year. Passenger capacity is expected to reach 50 million per year by 2030 and heavy investment is planned to safeguard its future growth. Manchester City Council has recently approved plans to expand the Airport City Enterprise Zone and start work on a new 2.8 million square foot Life Sciences Enterprise Zone. The zones will act as a catalyst for new businesses.

## Economy

Greater Manchester represents the largest functional economic area outside London, with a gross value added (GVA) of over £57 billion, equivalent to 3.5% of total UK GVA. The economy has been growing at an average rate of just under 3% per annum for the past decade.

The Regional Centre (defined as Manchester city centre and adjacent parts of Salford and Trafford) is the economic engine of the city-region, employing around 160,000 people. It is a nationally significant centre for financial and professional services, knowledge-based creative and new media industries, cultural events, conferencing and retail. Rising numbers of national and international organisations are locating within the city centre, alongside increasing levels of new business start-ups.

The Government is in the process of negotiating in nominated cities including Manchester a series of tailored 'city deals' that will assist future growth. Manchester will become the fastest growing city outside of the south of England over the next three years, according to a report last year by Ernst Young. Manchester's gross value added (GVA) is forecast to grow by 73% (averaging 3.7% pa) between 2014 and 2034, outpacing the projected wider regional growth over the period.

## Demographics

Greater Manchester is the second most populous urban area in the UK and encompasses 2.7 million inhabitants in ten metropolitan boroughs: Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford, Wigan, and the cities of Manchester and Salford. The City of Manchester accounts for just under a fifth (520,000) of the population. The population of the city centre has trebled in

Manchester is also investing heavily in digital connectivity and is the only city in the UK to offer next generation broadband with 'fibre to the premises', allowing speeds of up to 100Mbps in a true open-access network. BT has recently completed a £575 million investment programme, which reportedly places Manchester ten years ahead of other UK cities in terms of access to digital communications.

The Regional Centre will continue to be the focus for economic growth in Greater Manchester. Over 150,000 new jobs are forecast to be created in the Greater Manchester area over the next 20 years, with 41% of these expected in Manchester alone, a large proportion of which will be located in the Regional Centre. 70% of employment growth is forecast to occur in the highly productive commercial and professional services sectors. This will have positive implications for the housing market as these jobs will command higher salaries and thus improve housing affordability prospects.

Greater Manchester has a strong track record with regard to attracting inward investment, with 400 projects secured in the five-year period from 2010 to 2015, creating and safeguarding over 22,500 jobs. Recent investment includes Ferranti Computer Systems Ltd opening its first UK office for over 20 years at The Landing, a digital enterprise hub located within MediaCityUK, while international law firm Squire Patton Boggs has announced plans to set-up a 27,500sq ft office in the city centre and AFEX, a leading global payment firm, has announced it will be opening a new office located on Deansgate. Since 2011, the BBC has relocated around 2,700 staff into new premises at Media City.

the last decade to reach just under 25,000, with this figure increasing to 50,000 when the fringe areas are taken into account.

Manchester has a relatively youthful population with just over half of the residents aged 30 or younger and an average age of 33. The corresponding English averages are 38% and 39%.

In contrast, only 13% of the city's residents are older than 60, while the national average is just above 22%. Population projections from the Office for National Statistics (ONS) suggest that Manchester's population will increase by around 12% over the next 20 years, compared to a 10% rise in the Greater Manchester area.

Greater Manchester has one of the largest student populations in Europe with over 105,000 students across four universities: Manchester

University, Manchester Metropolitan University, the University of Salford, and the University of Bolton. In addition to the four universities in the city region there are a further 18 universities and higher education institutes in the North West, making for an additional population of around 515,000 students in the surrounding areas. In the academic year 2014-15, Manchester University had the second highest number of foreign students (12,215) among UK higher education establishments.

## Planning

Manchester's Core Strategy was adopted in July 2012 and is the key document in the Manchester Local Plan. It sets out the long-term strategic policies for Manchester's future development and covers the period from 2012 to 2027. The Regional Centre will be the focus for economic and commercial development, retail, leisure and cultural activity, alongside high-quality city housing. The growth of Manchester Airport will act as a catalyst for the regional economy, and will also provide the impetus for a second hub of economic activity in this part of the city.

Manchester also forms part of the Government's Northern Powerhouse initiative. Linked to this scheme, the Greater Manchester Devolution Deal will give new planning powers to local government in order to encourage regeneration and development, including a new £300 million fund for housing and greater control over local transport planning.

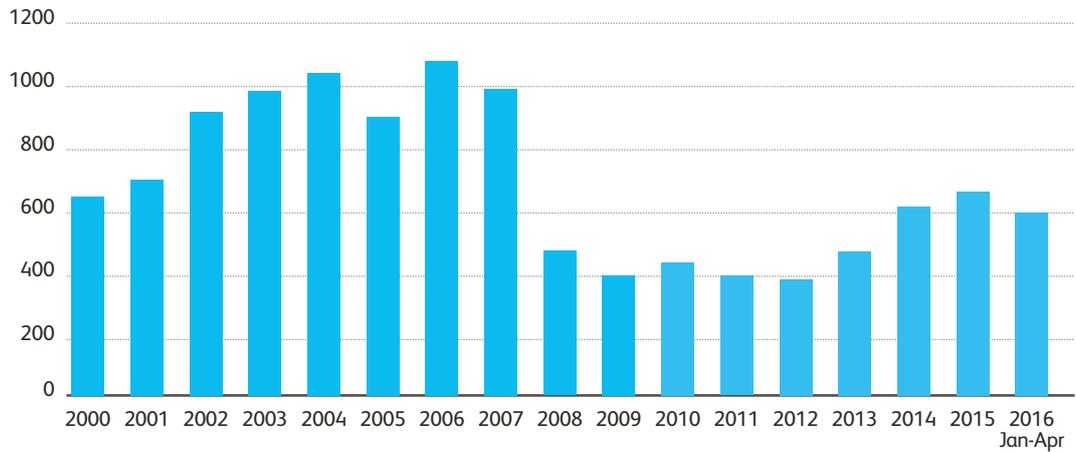
## Residential Market

### Demand

Manchester had a total of 217,240 homes according to the 2011 census. Owner occupation (37.8%) is way below the national average (63.3%), and the number of households renting privately (28.4%) well above the national average (16.8%). In addition to normal household demand, the large corporate and student sectors also make the city popular with investors. The University of Manchester and Manchester Metropolitan University have more than 64,000 students between them, with many living in the City, equating to 12.5% of the City's population.

Residential sales in Manchester have averaged around 270 per month since 2000. As in the rest of the country, transaction numbers have not recovered to the levels seen in the pre-global recession peak but have improved steadily over the past three and a half years. Official data on house sales since the EU referendum are not at the time of writing available, however anecdotal evidence suggests that buyer demand has not been significantly affected by the prospect of Brexit.

**Figure 1: Manchester Average monthly residential sales**



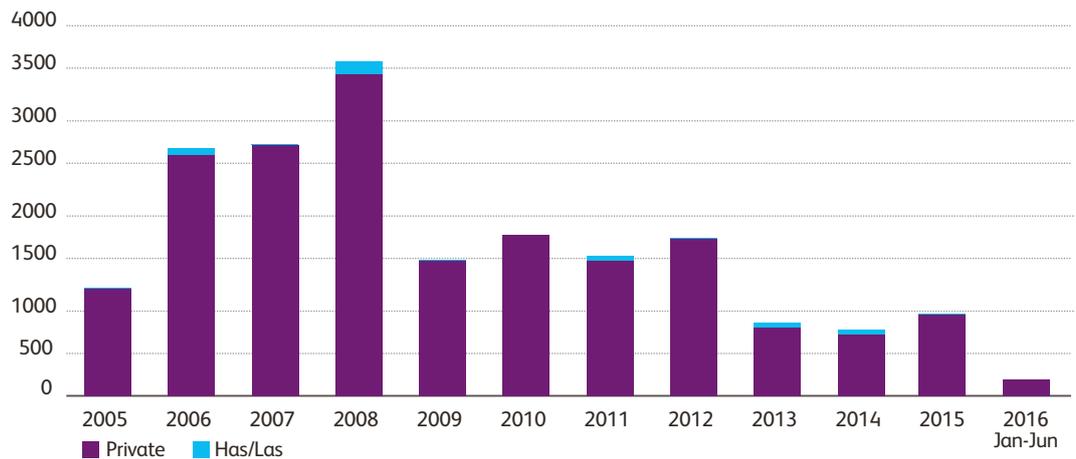
Source: Land Registry

### Supply

The Local Plan has established that the city centre will be the focus of housing development in Manchester and it is expected that a minimum of 16,500 new units will be delivered between 2010 and 2027, equating to 917 homes per annum. However, the supply of new housing in recent years has been low for a city the size of Manchester and compared to pre-global recession years.

Between 2009 and 2014, the total dwelling stock only increased by 3%. While annual completions have averaged 1,674 over the past decade, in the last three years the average drops to less than half of this number. This suggests that supply may struggle to keep pace with anticipated future demand.

**Figure 2: Manchester: Annual residential completions**



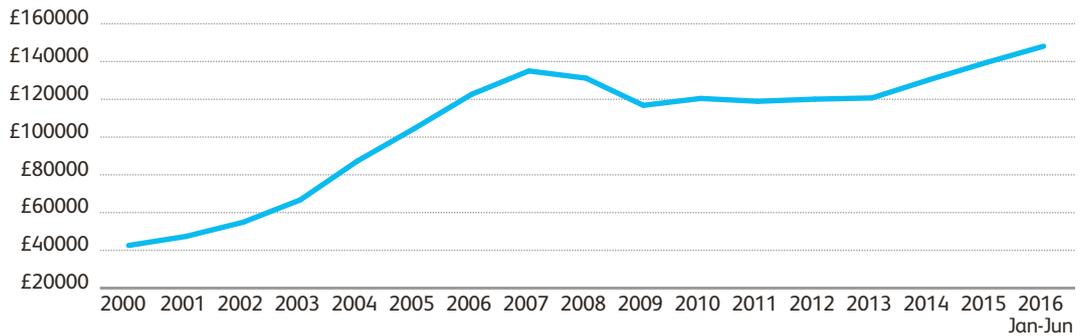
Source: DCLG

## Prices

Residential sold prices have been rising steadily across the city over the past three and a half years and are now nearly 10% above their pre-global recession peak.

Annual price growth to June 2016 was 10.1% according to the Land Registry, ahead of the North West regional average (+6.1%) and the national average of 8.7%.

**Figure 3: Manchester: Average residential sold prices**



Source: Land Registry

## City Centre

Manchester city centre is defined as the area inside the Inner Relief Route and extends to the south to encompass the Oxford Road Corridor. The City Centre also includes Chapel Street, within the administrative boundary of Salford City Council, and the two city councils continue to work together to build a strong shared strategy for city centre regeneration.

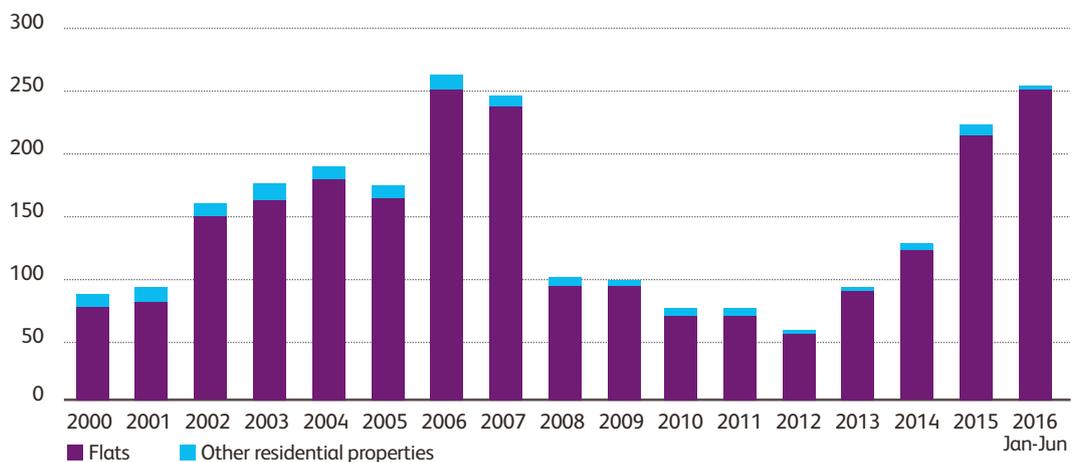
The City Centre Strategic Plan sets out a long-term vision for the future of the city centre,

which will see the most intensive development of housing in Manchester. Key locations for residential development have been identified as Castlefield, Piccadilly, the Southern Gateway and the Northern Quarter.

An increasing number of people are choosing to live in the regional centre, with the population rising from 7,000 in 2001 to 25,000 in 2016.

This trend is set to continue, with around 50,000 new homes anticipated to be needed by 2040.

**Figure 4: Manchester City Centre & Salford Quays: Average monthly residential sales**

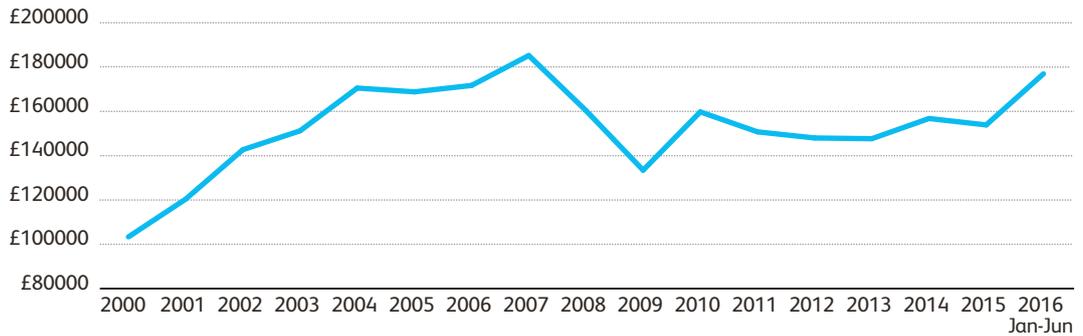


Source: Land Registry

Household projections and demographic trends suggest that future demand for flats is likely to be considerable. The regional centre housing market is dominated by flats, sales of which have accounted for over 95% of total sales over the past decade.

Flat sales have averaged 136 per month since 2000. The market has gathered momentum over the past three years with the monthly sales average rising to 166.

**Figure 5: Manchester City Centre: Average flat sold prices**



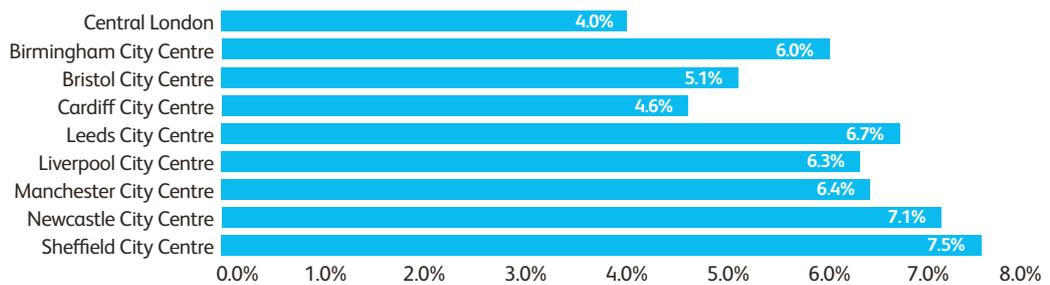
Source: Land Registry

## Yields

Current gross initial yields are higher than in many other large cities in the country, and considerably better than those on offer in London. Rental growth

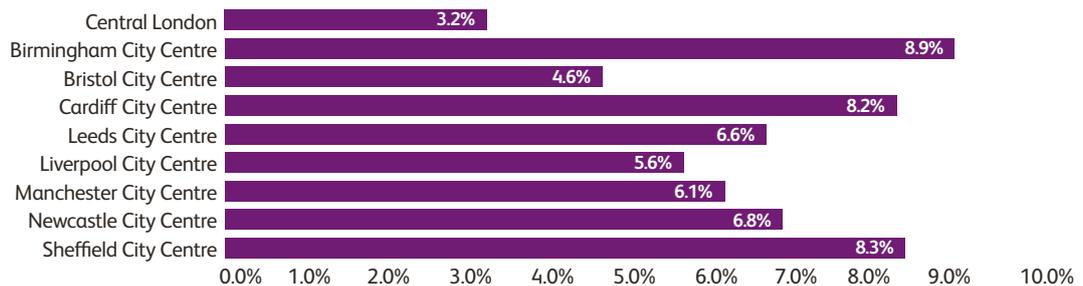
prospects are also strong, given the projected growth in household numbers and the likelihood that supply will not keep pace with demand.

**Figure 6: Gross initial yields: 1-bed flats**



Source: Zoopla & Chestertons Research

**Figure 7: Gross initial yields: 2-bed flats**



Source: Zoopla & Chestertons Research

## Our Services

Chestertons provides a range of services to home owners, landlords and investors. With more than 30 offices across London, Chestertons has one of the largest networks in the capital, as well as a strong international presence.

### Our services include

- **Sales:** We will manage the entire sales process, from giving an accurate and realistic valuation of the property, through to advising on the most effective marketing strategy and managing the legal process once an offer has been accepted.
- **Lettings:** Our highly qualified teams ensure we find the best quality tenants and achieve the best possible rents and terms, protecting landlords' investment and their tenants' well-being through our professional customer service and stringent compliance processes.
- **Property management:** We offer a full suite of services ranging from securing tenants and rent collection, through to full management of individual properties and portfolios.
- **Leasehold services:** We specialise in helping clients with the valuation and negotiation process involved in lease extensions, freehold purchases and collective enfranchisement.
- **Mortgage finance:** We specialise in arranging finance for properties at the mid to top end of the market through our partner Springtide Capital.

## Contact



**Robert Pearce**  
Head of Residential Development  
T: 020 3861 1416  
E: robert.pearce@chestertons.com



**Nicholas Barnes**  
Head of Research  
T: 020 3040 8406  
E: nicholas.barnes@chestertons.com