



# THE FUTURE OF MANCHESTER PROPERTY INVESTMENT

IS THE NORTH WEST THE  
HEART OF THE UK PROPERTY  
MARKET'S POTENTIAL?



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Why Fabrik Invest

# MANCHESTER SNAPSHOT

“The appeal of living in Manchester’s city centre continues to increase strongly as the local economy and population grows. This has led to an exciting pipeline of residential development both for sale and rent, further enhancing the appeal for residents.”

**JLL 2020 Northern  
England Forecast**



Manchester has for years stood out as one of the UK’s leading cities both for economic growth and for property investment opportunities. When the COVID-19 pandemic effectively froze the UK property market in March 2020, Manchester was in excellent shape. The economy was thriving, with the city’s four universities developing future talent and feeding

innovation in the business community.

In terms of its property market, Manchester is enjoying house price rises that were larger than those in nearly any other UK urban area. This, along with its strong underlying credentials, is why so many investors have been drawn to the northern city in recent years.

## Manchester’s housing market

The May 2020 Hometrack UK House Price Index shows Manchester as enjoying year on year house price rises of 3.9%. That’s the second largest increase of any UK city over the course of the year to May 2020.

What is particularly interesting is that the increase comes despite the large-scale supply of new homes in Manchester over the previous year. That’s because even with the impressive flow of new properties onto the market, Manchester has a long way to go in terms of meeting demand.

According to JLL, the city’s average supply of homes for the past ten years has been 1,150 per year. Impressive, but a long way shy of the 2,500 homes that Manchester needs to build every year for the next ten years if it is to keep up with the needs of its growing population.

In terms of the current housing market, JLL reports an average sale price of £257,000 for a two-bedroom flat in Manchester, with an average rent of £1,145 pcm.



## Buy-to-let investment

Manchester is known to investors both in the UK and overseas as a result of its thriving buy-to-let market. According to insurance specialists Adrian Flux, the city was home to four of the top 50 UK buy-to-let hotspots in 2019.



## Economic strength

The February 2020 EY UK Regional Economic Forecast shows that the wider North West area is performing well. Between 1997 and 2019, only London outperformed the North West in terms of regional GVA growth.

Manchester sits at the heart of the North West's economy. EY reports GVA growth for the city of 3.0% for the 2016-2019 period, marking it out

as enjoying the second highest rate of GVA growth in England (surpassed only by London, at 3.2%).

With keen interest from investors and a property market going from strength to strength, Manchester was the picture of economic health at the moment the COVID-19 pandemic struck.

**#1 London**

**3.2%**

GVA growth 2016-19

**#2 Manchester**

**3.0%**

GVA growth 2016-19

**#3 Bristol**

**2.4%**

GVA growth 2016-19

# UNDERPINNING PRINCIPLES – A ROBUST CITY

With GVA growing at the second fastest rate in England and the city in the midst of a sustained population boom, Manchester has long been a leading light in the UK's economy.



## Key demographics

The Greater Manchester population has rocketed in the past 20 years. In 2000, the area was home to 2.35 million people. Now, its population stands at 2.73 million. With growth expected to continue at the same rapid pace for the next decade and more, Greater Manchester is looking at having a population of 2.93 million by 2030 and at easily surpassing the 3 million mark by 2035.

These figures, taken from the UN World Urbanization Prospects,

highlight the intense need for new housing that Manchester faces over the years ahead. JLL, meanwhile, observes how youthful the city's population is, with 40% of residents falling into the 15-34 age group.

People in this age group are significantly more likely to rent their homes than those who are older. The 2018/19 English Housing Survey reports that 41% of people aged 25-34 live in the private rented sector, compared to 10% of those aged 55-64.



“Manchester’s buoyant outlook is underpinned by its private service sectors, most notably, its professional, scientific and technical and administrative and support service sectors, which are forecast to experience the fastest increase over the period.”

Liverpool Business News



## Business strength

Home to four well-respected universities, Manchester draws in young people from across the UK and beyond. Over the past decade, it has also drawn in a great deal of talent from London, with the number of people quitting the capital in favour of life in the North increasing rapidly. In 2009, just 1% of those leaving London settled in the North. Now, that figure stands at 13%.

A key driver of the London exodus has been the largescale shift of employment opportunities to other cities. Manchester has clocked up some big wins in this respect, thanks in large part to the presence of MediaCityUK.

One of the largest changes in Manchester over the past decade has been the creation and growth of the hugely successful MediaCityUK. Built on former industrial land, construction work on the 200-acre MediaCityUK site began in 2007. Now, the vast complex is home to a 7,000-person strong community of workers, residents and students.

MediaCityUK has positioned Manchester – and specifically Salford Quays – as the UK’s

premier media location. The BBC was the first to make the jump to MediaCityUK, with ITV, Ericsson, the University of Salford and some 250 other media and creative firms following suit. The area is now packed with complementary businesses, from waterfront restaurants, bars and shops to companies from a range of other sectors.

Such was the site’s success that in 2016, planning permission was granted for MediaCityUK to double in size over the coming decade. The £1 billion expansion will include 2.2 million sq. ft of office, residential and leisure space.

Manchester is also home to leading financial, legal and business services companies, as well as specialist biotechnology, advanced manufacturing and environmental technologies firms. Of the 266,810 businesses in the North West, 104,110 of them are located in Manchester, according to the official labour market statistics for 2019.

Manchester’s employment rate reflects its dynamic business environment, with the city leading the UK in terms of its (pre-pandemic) employment growth.

“Manchester continues to storm ahead with the highest employment growth not just in the North West but the whole of the UK. Employment in the city is set to grow by 1.4% each year from 2020 to 2023, equivalent to 25,500 new jobs. Its GVA growth is also forecast to grow 2.3% a year.”

JLL 2020 Northern England Forecast



“It’s encouraging to see that the North West continues to attract foreign direct investment and that Manchester’s inward investment figures are ahead of all others outside the capital.”

**Bob Ward, Managing Partner for EY in the North West**

Home to the UK’s largest regional airport and famed for its sport and culture, Manchester is a strong player on the international scene in many ways. It was the UK’s third most visited city in 2019 (after London and Edinburgh), drawing in 1.7 million visitors over the course of the year.

Manchester is also a magnet for foreign direct investment (FDI). EY and the Centre for Towns report that there have been 1,098 FDI schemes in the North West since 1997, with half of those located in either Manchester or Liverpool. For the 70 FDI schemes recorded in the North West in 2018, that figure rose to 64%.



## Regeneration and renewal

Manchester is home to some huge regeneration and renewal projects. Since the 1990s, the city has been developing its infrastructure at an impressive pace. The early 1990s saw a new tram network introduced, while 1996-2002 saw a number of exciting new architectural projects completed, from a new Millennium Centre and a flagship Marks and Spencer to a bridge spanning Corporation Street.

It is MediaCityUK that has been the runaway success story. Just 8-10 minutes by Metro from Manchester city centre, MediaCityUK has become a highly sought-after destination in its own right, offering the pace and vibrancy of city centre life but without the overcrowding and lack of space.

This has had a significant impact on residential property values in the area. Back in 2011, when the first phase of MediaCityUK completed, the average price per square foot stood at around £125-150. By 2020, with the site more than fulfilling expectations and further expansion underway, that figure had risen to over £400 per sq ft.

However, the prices have not yet matched Manchester city centre, which boasts over £550 psft. As such, there is still a large amount of room for capital appreciation for investments in MediaCityUK.

# MediaCityUK Highlights



**£100-£150**

per sq.ft cheaper than comparable city centre properties with impressive yields



**£1 BILLION**

expansion doubling size of MediaCityUK

Average rent more affordable than Manchester city centre



**2.2 MILLION**

sq. ft of development underway



Good transport connections: 8 minutes by Metro to central Manchester



**80 OF TOP 100**

UK companies have offices in Manchester

# POST-COVID MANCHESTER – WHAT DOES THE FUTURE HOLD?



Manchester is forecast to see both the highest sales price and rental growth of any UK city over the next five years, despite a higher volume of development.”

## JLL 2020 Northern England Forecast

### The future of property

When it comes to a post-COVID property market rally, Savills' confidence lies firmly in the North West.

Over the longer term, Savills also flags up the North West as the country's best-performing region.

Over the five years to 2024, accounting for the impact of the pandemic, the company predicts an increase in house prices across the North West of 27.3%. That's well above the UK average, which stands at 20.4%.

## Five-year house price forecast, September 2020

	H1 2020 (actual)	H2 2020	2021	2022	2023	2024	5-years to 2024
London	3.7%	1.5%	0.0%	1.0%	4.0%	2.0%	12.7%
South West	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
East of England	2.3%	3.5%	0.0%	2.5%	5.0%	3.0%	17.3%
South West	1.3%	3.0%	0.0%	3.0%	5.5%	3.5%	17.3%
East Midlands	1.5%	1.5%	0.0%	5.0%	7.5%	5.5%	22.6%
West Midlands	0.7%	1.5%	0.0%	5.0%	7.5%	5.5%	21.7%
North East	0.3%	0.5%	0.0%	5.5%	8.0%	6.0%	21.7%
<b>North West</b>	<b>3.9%</b>	<b>0.5%</b>	<b>0.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>6.5%</b>	<b>27.3%</b>
Yorkshire & The Humber	1.8%	1.0%	0.0%	5.5%	8.0%	6.0%	24.1%
Wales	1.7%	1.0%	0.0%	5.0%	7.5%	5.5%	22.3%
Scotland	1.8%	2.0%	0.0%	5.5%	8.0%	6.5%	25.4%
UK	4.0%		0.0%	4.0%	6.5%	4.5%	20.4%

In terms of rental growth, JLL's 2020 Northern England Forecast projects that Manchester will see the highest cumulative increase of any UK city over the coming five years, at 16.5%.

The five year sales price forecast is notably higher than the UK average and the highest forecast of any UK city... The delivery of private for sale units will slow over the next three years, providing support for higher sales prices.”

### JLL 2020 Northern England Forecast

# 27%

forecast capital growth

# 16.5%

rental yield growth over 5 years





With record low interest rates in the UK and a heightened stamp duty threshold of £500,000 in place until 31 March 2021 due to the COVID-19 pandemic, cities such as Manchester are likely to experience significant interest in the coming months. Really Moving, for example, projects a dip of 1.4% in prices in August 2020, followed by a 4.7% rebound the following month.

For those buying homes in the right locations at the right times, there are likely to be significant increased in value to which to look forward.

The picture is also positive when it comes to rental growth, with JLL projecting cumulative rental growth of 16.5% over the coming five years.

**“We expect rents to rise strongly over the next five years, reflecting both heightened demand and better quality stock.”**

### JLL 2020 Northern England Forecast

Manchester						
% pa	2020	2021	2022	2023	2024	2020-4
Rents	3.0	3.0	3.5	3.0	3.0	16.5

Source: JLL 2020 Northern England Forecast

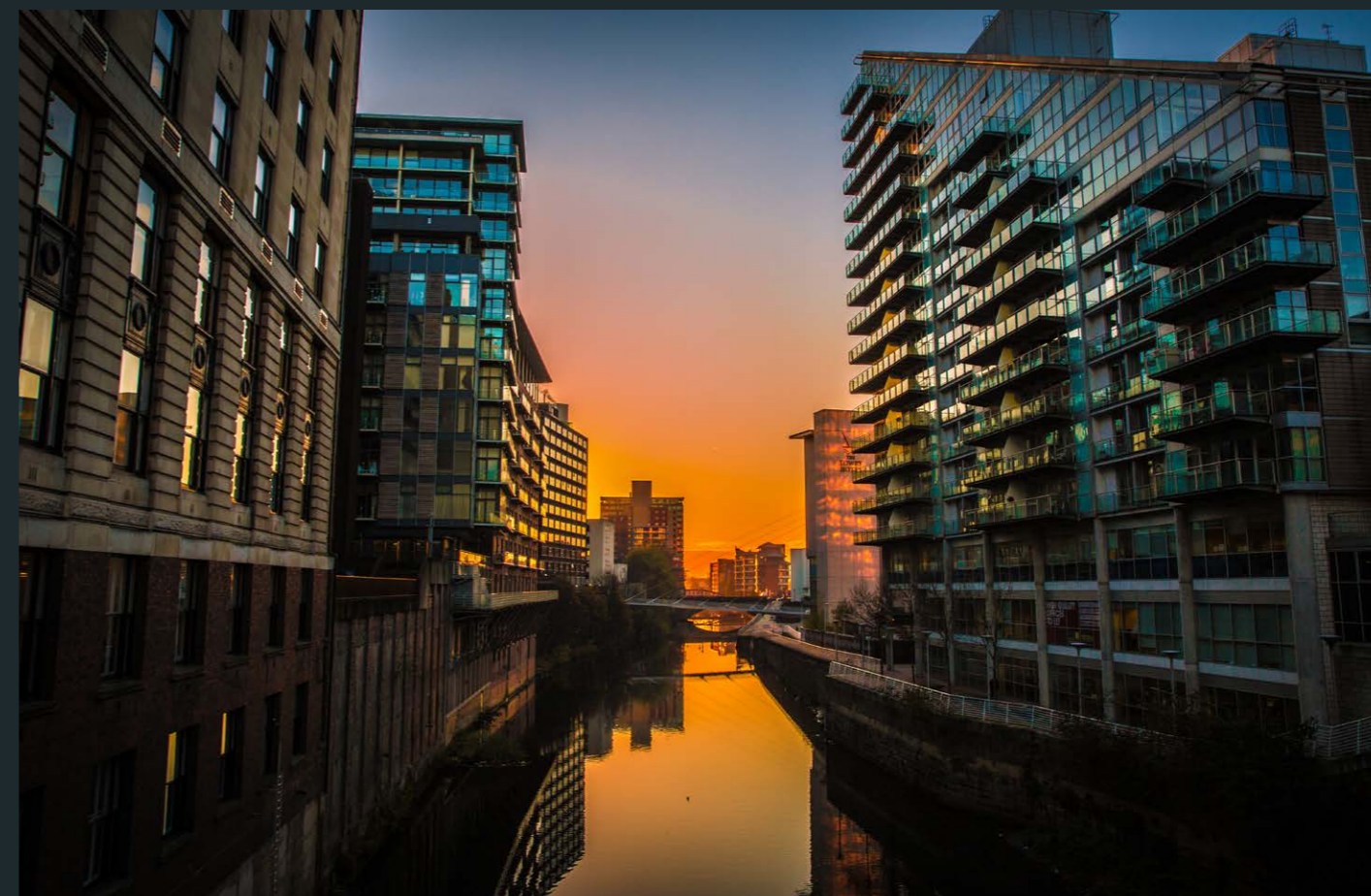
## The bigger picture

Looking beyond Manchester's property market, there are also plenty of other positives in the city's near future. EY projects GVA per head growth of 1.5% for the city over the 2020-2023 period. JLL, meanwhile projects GVA growth for Manchester of 2.7% for 2020-2024, alongside population growth of 1.1% and employment growth of 1.3%.

According to the Great Manchester Local Employment Partnership (LEP), a key driver of this growth will be the city's position as a global leader on health and care innovation. Not only is Manchester's

expertise in this area creating new industries and jobs, it is also improving population health and extending healthy life expectancy.

Digitalisation and innovation are also key components of Manchester's future, with the LEP placing particular emphasis on the city's digital, creative and advanced manufacturing industries. Against this backdrop, Greater Manchester is aiming to achieve carbon neutral living by 2038, being the first city-region to launch a Clean Growth mission in the UK.





# TOP TIPS FOR INVESTING IN MANCHESTER

## Do your research:

Location, location, location! Make sure you do your research, focusing on the best locations. These include areas with significant regeneration projects planned or already underway. They also need to provide excellent value for money and be close to local transport links and

places of work, so that you can attract the right types of tenants. Look for development opportunities in areas which are primed for capital growth, prices in media city have increased from £150 to over £400 psf but this has excellent value for money when comparing

with Manchester city centre which can be upwards of £550 psf. Always look for properties where you are paying a reasonable price per sq ft compared to similar buildings in areas, as well as those where tenant demand is outstripping supply.

## Developer's track record:

Make sure you are investing with a credible developer that has a solid track record of

delivering quality properties. Ensure that they are not solely relying on investors

for funding, i.e. they have commercial lending or are fully funded.

## Payment terms:

Most credible developers will only ask for 35% maximum deposit and then the balance at completion. This means they have their

bank funding in place and the banks have scrutinised them.

## Why Choose Fabrik Invest?

Fabrik Invest knows the Manchester property market in depth. Our ethical, integrity-based approach to sourcing the best opportunities there ensures that investors can trust in the Manchester developments that we share with them.

Our service delivery provides support every step of the way, from initial contact through to after-sales care.

## The benefits of investing in off-plan properties:

Investing in off-plan apartments comes with a number of benefits. These include the ability to secure the best units for small deposits and to gain from natural capital growth during the construction period.

Off-plan properties, once completed, deliver the added benefits of being fully managed, with assured rents and warranties for added peace of mind.

## Property finance:

Fabrik Invest can support you in exploring finance options on your investment, with specialist buy-to-let investment brokers who can provide you with the latest information on the market.

Combined with record low borrowing rates, this means your return on cash invested will be maximised, with your rental income covering your loan, while you also enjoy solid capital growth potential.

## Buying with a ltd company:

There can be huge tax benefits to purchasing through a company rather than a personal name. We can put you in touch with GetGround, who can assist you with this.

# **THE FUTURE OF MANCHESTER PROPERTY INVESTMENT**

**WILL THE NORTH WEST  
LEAD THE WAY?**