

MANCHESTER PROPERTY REPORT: 2017



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1. MANCHESTER PROPERTY MARKET OVERVIEW

If you were somehow transported from Manchester in 1987 to Manchester in 2017 you would find it hard to recognise the city. In that 30-year-period, Manchester has seen its fortunes transformed from a city that was struggling to find a way out of its industrial past, to one that can count itself as one of the city's at the forefront of the UK's dominant serviced sector economy.

This has created many opportunities and jobs which didn't exist thirty years ago and this together with the expansion of universities, has encouraged people to locate themselves in the city centre in increasingly high numbers. Manchester currently boasts one of the biggest student populations not only in the UK but also Europe as well.

In the past decade, the population of the city centre alone has risen from less than 25,000 to 50,000 and counting. The population of the city as a whole is currently 520,000.

The doubling of the city centre population in the past 20 years has resulted in huge investment in additional housing, the transformation of old industrial buildings into apartments and offices, and the introduction of countless sophisticated bars restaurants and coffee shops.



As a result of this rapid rise in house prices, Manchester like London is attracting the attention of buy to let investors not only in the UK but also abroad. Manchester prices compared to the capital remain significantly lower which make the returns on property investment attractive - particularly when buying and holding for five years and beyond.



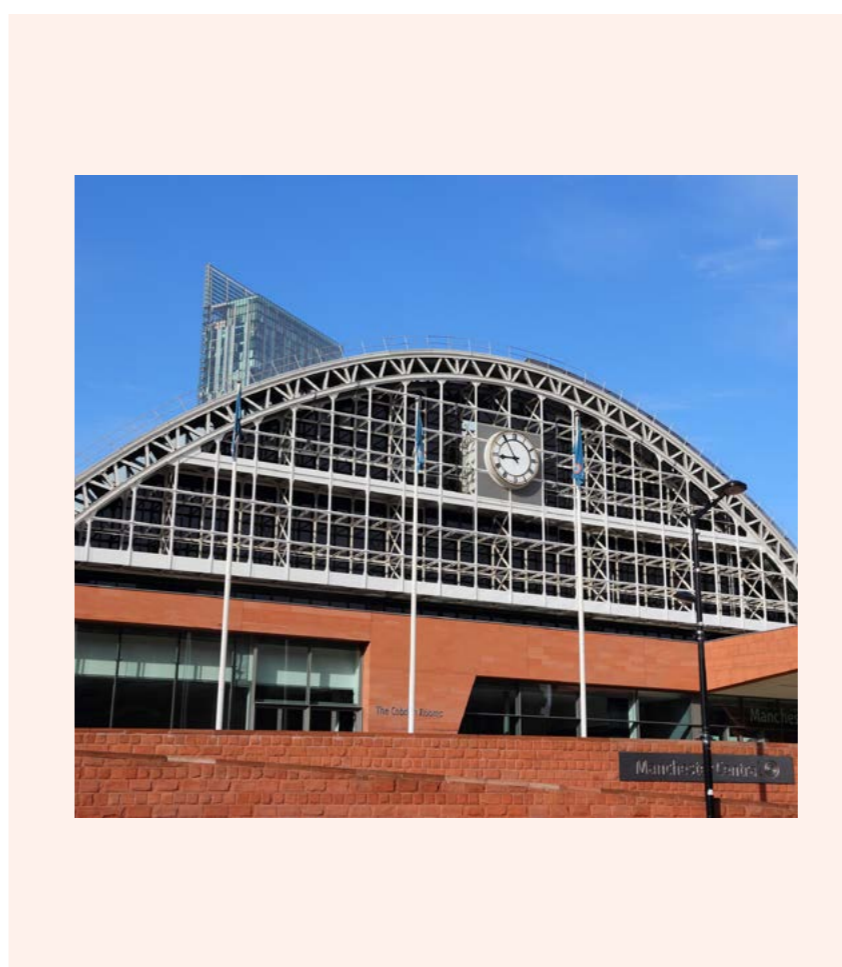
Another draw for investors is an increasing supply of potential tenants as many would-be homebuyers are forced to rent rather than buy properties. The proportion of homeowners in Greater Manchester has declined from 72% in April 2003 to just 58% today.





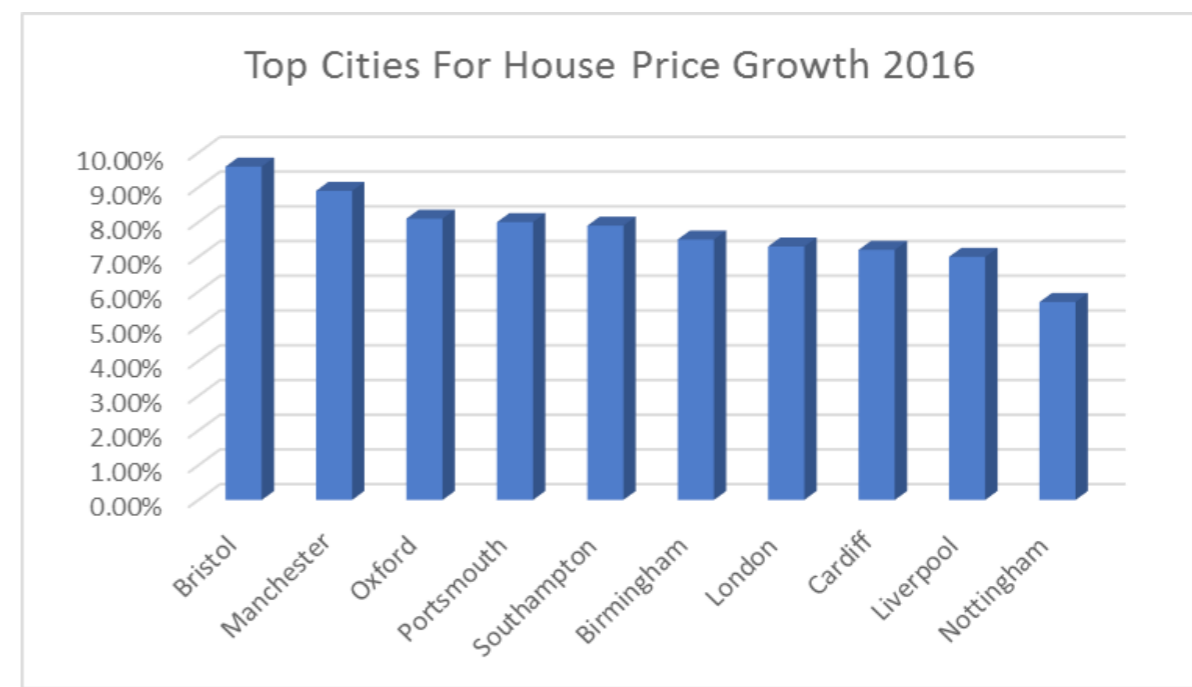
Part of the reason for this is the increasing disparity between the price of homes and wages. While the average wage in Manchester is around £25,000, the average price of a property is approaching £160,000. Even with mortgage rates low, this will still require a deposit of at least £13,000. This can be difficult to find for many young people living and working in the city.

With the government committed to making Manchester one of its Northern Powerhouses, investment in transport and infrastructure will continue to attract more investment in the city. British Airways have recently decided to re-introduce flights from Manchester airport, and other airlines have decided to switch to the city's airport to cater for high demand.



While there is some uncertainty on the horizon as the UK steps outside the EU, the immediate future for Manchester's housing market continues to look bright.

At the beginning of 2017, Manchester one of the top 2 cities in the UK for house price growth per annum ahead of London in 7th place.



“The top locations for demand from tenants on Rightmove is dominated by the north, including Ashton-Under-Lyne and Oldham in Greater Manchester, and Stockport in Cheshire.” Source: Rightmove (2017)

2.ECONOMIC OUTLOOK

Opportunity often comes in times of adversity and the UK looks set to be facing its fair share of adversity as the impact of Brexit begins to unfold.

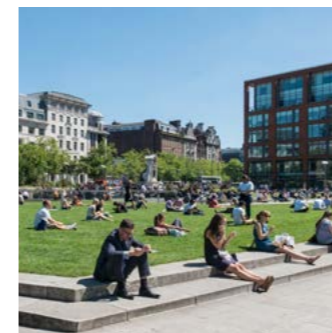
The months following Brexit brought a strange atmosphere reminiscent of a phoney war where everyone expected things to happen but virtually nothing apart from a slide in the value of GDP materialised.

This helped create a climate of optimism and some mini-revivals in the economy with house prices seeing an uptick early in 2017 being one of them.

So what impact can we expect on the national economy in the years ahead, and how will this affect investment and property markets on a more local level in Manchester?

It's still too early to say, but when it comes to housing, short term fluctuations in economic fortunes are usually nothing to worry about. Property investment is about looking ahead to the next five years.

Housing demand is always going to be there in large cities such as Manchester which is currently among the top cities for GVA in the UK.



MANCHESTER TOP 5 IN THE UK FOR GVA

Manchester entered the top 5 for its gross value added (GVA) contribution to the UK economy and now finds itself among the fastest growing cities in the UK. In fact it is the only city in the North to find itself in the top 5.



The local economy in Manchester is heavily reliant on the retail and services sector, so as long as consumers keep spending, economic growth will continue. The outside risks for Manchester are much the same as for any other major city in the UK. Inflationary pressures look set to continue in 2017 and this may squeeze household finances.

There are also other factors to consider such as the direction of the national economy, but if we look at current economic performance, Manchester is as well-equipped as any other city to weather any economic storms that may or may not be heading to UK shores.



3 .WHERE TO INVEST IN MANCHESTER

The million dollar question for any property investor considering a location for the first time is where to invest. The answers are often far from straight forward and must consider a whole range of variables. What might work for one investor may not necessarily work for another if one is seeking high returns over a period of years or a quick profit from flipping.

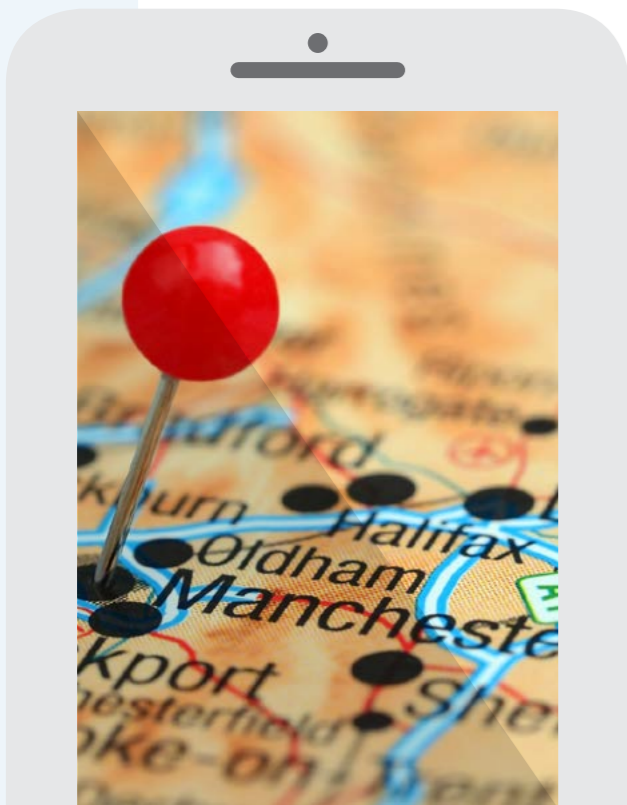
Manchester is unlikely to be the right market for an investor looking to buy and flip unless the location is very central and the money is there to buy at inflated prices, which is risky and something we certainly wouldn't advise.

That said the opportunities to make money from Manchester are certainly there and this is why the city is attracting so much attention from investors around the globe at the moment.

PLACES TO INVEST IN MANCHESTER

If you consider the three main factors in a good buy to let investment: rental yields, capital appreciation and tenant demand then there are certain areas of Manchester ripe for investment in 2017.

Manchester is a big city which means there are a wide variety of places to invest, however like any market, there are good and bad. Even within the same postcode, there are good and bad areas, so the focus needs to be on "micro-markets" rather than the market as a whole.



CITY CENTRE

Finding a good deal in the city centre is difficult now, but still not impossible. Access to parking is extremely important here, as is the aesthetics of the building and its immediate surroundings. Manchester has many attractive central locations. A quick stroll around the city reveals some beautiful and sometimes breath taking architecture but it also has its share of tired, miserable backstreets so it is important to buy your property in the right location at the right price.



CENTRAL AREAS

While all eyes are on the city centre and Salford Quays, the following areas offer alternative areas showing great promise.

ANCOATS

Average asking rents in Ancoats Average: £945 pcm
Average asking prices in Ancoats Average: £231,904

This is one of the main areas of regeneration in Manchester. The NOMA regeneration zone and the millions spent on Victoria station has given the area a significant boost, and planned development work around the corporation Street has attracted the interest of many investors.

Now is an ideal time to invest in Ancoats if you can find the right opportunities and it would be fair to say this is a real hot-spot for 2017 with reasonable prices, easy access to the city centre and the immediate suburbs.

Ancoats is definitely situated on the right side of the city centre near the train and bus stations, The Arndale Shopping Centre and The Printworks.

Tenant demand in this part of Manchester is strong and is set to exceed supply many times over. This in turn will push rental yields and re-sale prices up. One potential problem is that home builders and investors know all about this and the hope that any hype doesn't push this gold-mine of a micro market too far.



CASTLEFIELD

Average rents in Castlefield £1,241 pcm
Average asking prices in Castlefield £232,671

Castlefield is another area of significant regeneration in Manchester within easy reach of the city centre. Construction activity is high in this area and prices are increasing at an alarming rate.

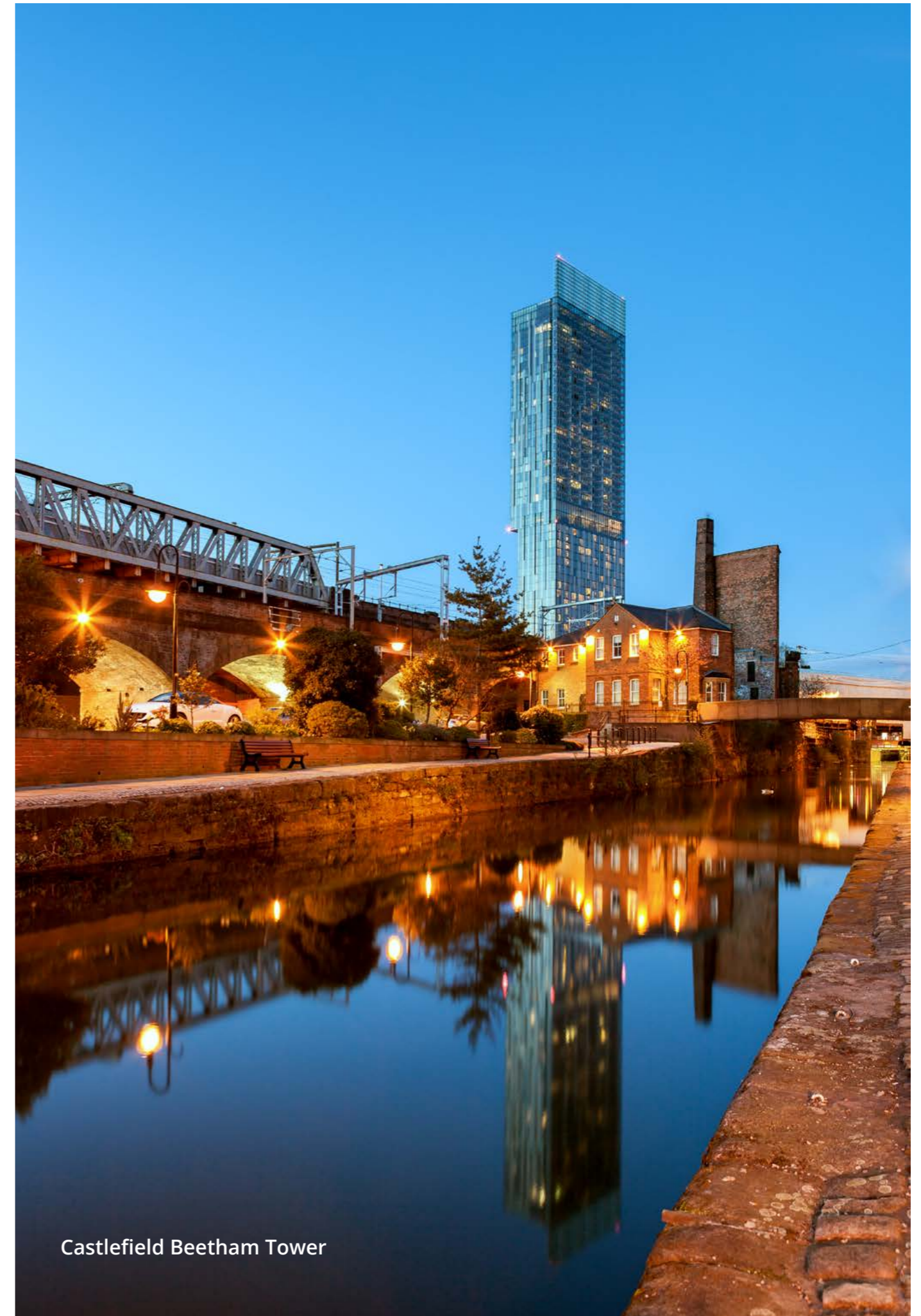
A lot of private investment and the many new developments which have been brought onto the market have led to asking prices that could be considered greedy, particularly when you consider that you could buy in the city centre for similar prices.

That said Castlefield is close to Salford and the famous Media City and you can still get good deals, but buying at the right price is critical. If you buy at 10% above the going rate, that will not only wipe out most of your appreciation, but also mean low yields.

Achieving those high yields in Castlefield in the short term will be a challenge, but once the market establishes itself and the market settles, Castlefield has a lot to offer and will out-perform the already saturated Salford Quays.

NEAR MANCHESTER

As well as Manchester itself there are also opportunities beyond the city which may appeal to investors looking for untapped potential.



Castlefield Beetham Tower

CHORLTON

Average asking rents in Chorlton Cum Hardy £1,034 pcm
Average asking prices in Chorlton Cum Hardy £307,938

Chorlton is extremely popular with young professionals and wealthier students, which makes it a haven for HMOs along with West Didsbury. You will find many large, older houses in Chorlton in need of modernisation, so getting lots of square metre for your money is key to getting the best out of this area. Large houses don't come cheap but you can make more in rent out of them.

Chorlton boasts a number of trendy bars and restaurants and plenty of entertainment to satisfy young professionals. It continues to be very popular with people who know the area and it has an excellent re-sale market driven by young professionals moving out of the centre into houses that offer more space at affordable prices.



HALE

Average asking rents in Hale, Greater Manchester £2,049 pcm
Average asking prices in Hale, Greater Manchester £874,060

There is an old saying in property circles that 'you can't go wrong in Hale'. The reason for this is its enduring popularity with the rich and famous. Hale is widely considered one of the most affluent areas outside of London.

Along with Prestbury, Bowden, Wilmslow and Alderley Edge, Hale is very much a part of the attractive belt of leafy suburbs where you will be living alongside footballers and celebrities in multi-million pound mansions.

For those who can afford to invest in these types of properties, now is a good time as we have seen a rare fall in price, however, this area will always be popular with the high earners because of the excellent schools and other amenities, along with excellent access into the city centre.

SALE



Average asking rents in Sale £814 pcm
Average asking prices in Sale £310,888

If you aren't local, you may not have heard of Sale and this is what makes it an interesting alternative to more expensive areas in the suburbs of Manchester. The Sale and Timperley region enables families to take advantage of being in the catchment area for highly-rated Manchester and Altrincham schools without the huge price tag.

Sale is a great family location and only a short walk away from the Metrolink. As more businesses and families move into Manchester, the demand for residential homes in nice, affordable residential areas of Sale will increase dramatically.

RISKY ALTERNATIVES

Sometimes taking a risk can bring great rewards. Here are some alternatives that are at a very early stage – invest in these with caution.

FALLOWFIELD AND MOSS SIDE

Average asking rents in Fallowfield £1,551 pcm*
(*due to greater proportion of HMO properties)
Average prices in Fallowfield £167,507

In the not too distant past you would have been barking mad to consider an investment anywhere near Moss side including Fallowfield. The area had a reputation for all sorts of crime including gang turf wars, drugs and so on.

Nowadays the area is slowly reinventing itself as investment pours in to regenerate the area. It's only 10 minutes from the city centre by bus, and the University campus is also close by making it a popular choice for student rental. Rental yields of 8% are possible if you know where to look.



LITTLE HULTON

Average rents in Little Hulton £547 pcm
Average asking prices in Little Hulton £94,139

They say where there is muck there is brass and if you want to dig into one of the cheapest places in the country to buy property you will find houses on sale for £70,000. There is a reason of course why prices are so cheap. This could be described as one of the uglier parts of the city but some landlords don't mind when they are achieving yields in excess of 7%.



MOSTON

Average rents in Moston, Greater Manchester £619 pcm
Average prices in Moston, Greater Manchester £157,731

Moston in the north east of Manchester is another area with a bad reputation, but it does at least have excellent transport links five minutes from the motorway with good public transport links into the city centre.

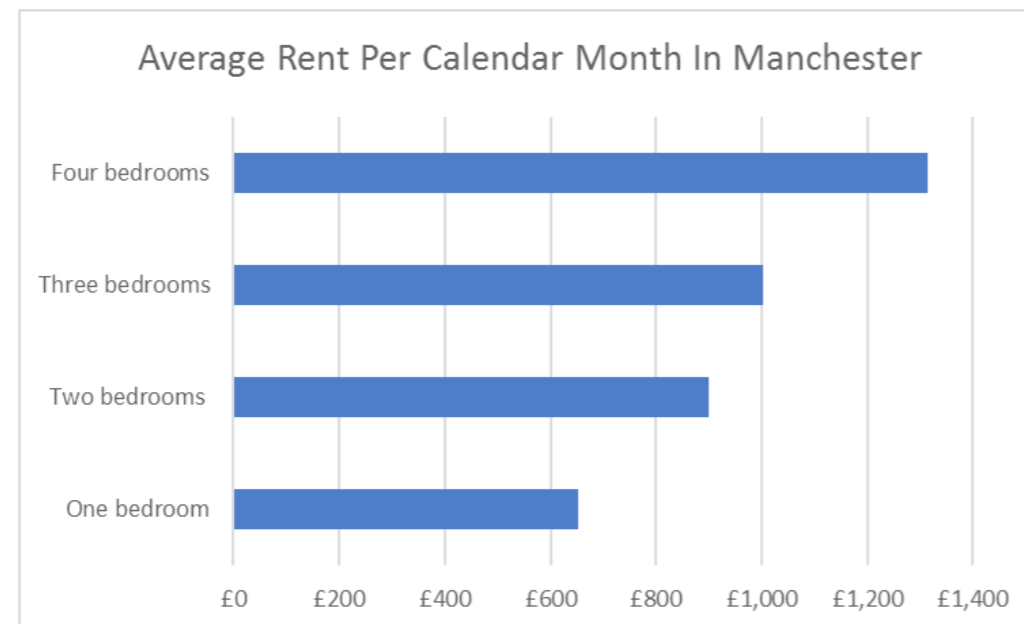
Good yields approaching 8% are possible if you can find tenants willing to rough it in return for reduced travel time into the city centre



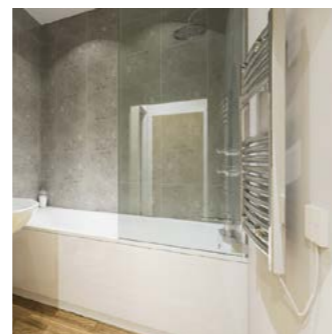
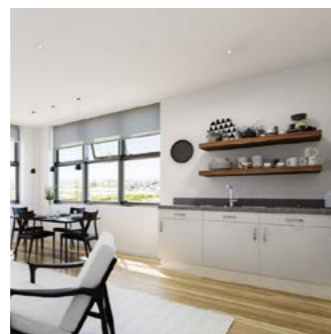
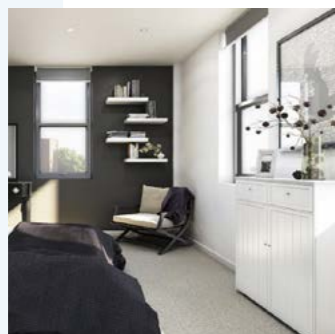
4. RENTAL MARKET STATISTICS

Rental statistics for Manchester as a whole show that asking rents are above the national average, however there are good and bad areas of Manchester where rents can vary significantly one way or the other.

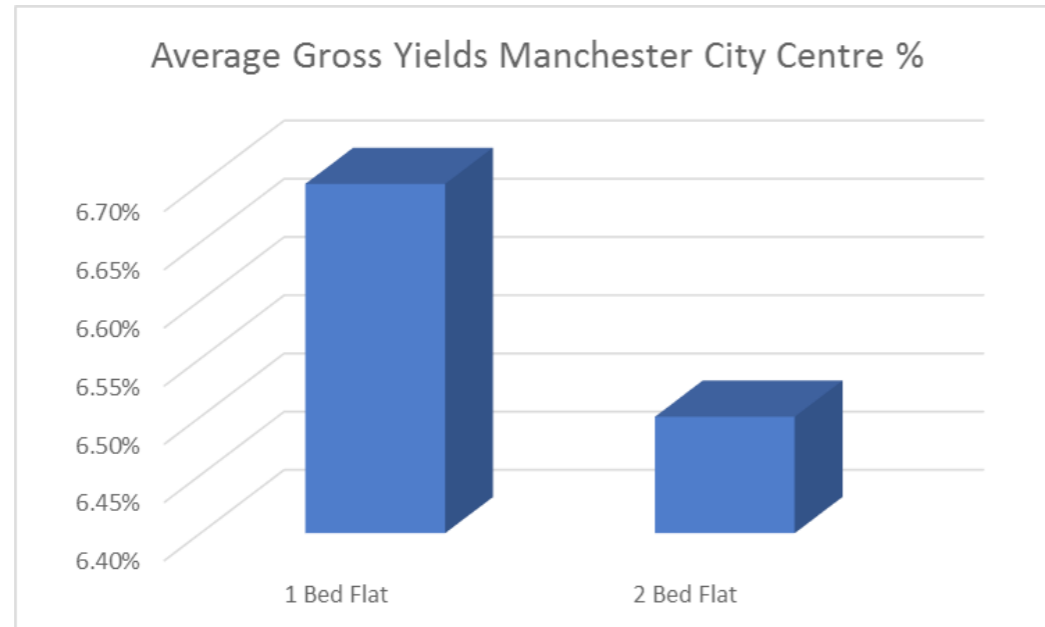
Apartments are attractive from an investment point of view due to rents being high in central areas of the city. However to make the most from your investment, it is important to find the right opportunities to gain a good return on investment.



Source: Rightmove



As the chart below shows, yields are slightly better for 1-bed apartments in Manchester city centre as is often the case due to the comparatively lower price paid for 1 bed units.



Ultimately rising prices, limited supply and high competition for rooms means that competition is high among those wishing to live in Manchester city centre close to places of work.

According to some reports from estate agents, there have been as many as 2000 potential tenants competing for 130 properties. In some case properties have been let in less than an hour!

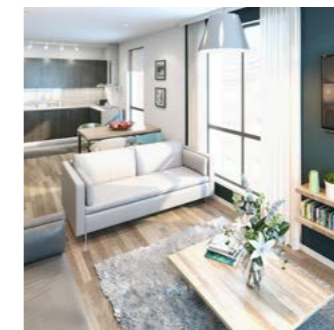
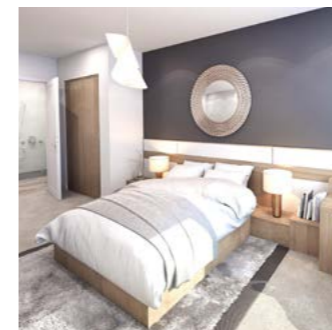
According to reports in the Manchester Evening News rents across the whole of Greater Manchester have increased by more than 20 per cent in just 12 months.

5. SERVICED ACCOMMODATION RENTAL

A big advantage of investing in a city like Manchester is the huge variety of potential investment opportunities. Whether your aim is to enter the traditional buy-to-let market, student property or serviced accommodation, there will be a property that fits your investment goals.



One way to greatly increase rental returns is to invest in serviced accommodation in Manchester city centre. Serviced accommodation can be an excellent alternative for people working in the city who require more flexibility than traditional hotels.



According to Airbnb's index, Manchester currently ranks among the top 4 cities in the UK for ROI.

City	Avg. days on the market	Avg. cost of a 3-bed property	Avg. monthly rental of a 3-bed property	Months until value recuperated via rental	Avg. monthly Airbnb rental 3-bed property	Months until value recuperated via Airbnb
Sheffield	158	£144,255	£854	168	£3,973	36
Birmingham	152	£182,609	£851	214	£4,798	38
Liverpool	207	£146,075	£719	208	£3,707	39
Manchester	151	£184,496	£979	188	£4,722	39
Newcastle	206	£156,135	£847	184	£3,627	43
Nottingham	140	£182,039	£883	206	£4,125	44
Belfast	200	£140,145	£629	222	£3,071	46
Glasgow	148	£168,589	£831	202	£2,818	59
Leeds	139	£178,114	£892	199	£2,904	61
Bristol	87	£306,884	£1,122	273	£4,180	73
Southampton	115	£287,399	£1,068	269	£3,508	82
Cardiff	151	£219,883	£924	237	£2,635	83
Aberdeen	132	£239,747	£961	249	£2,890	83
Edinburgh	130	£326,439	£1,250	261	£3,308	99
London	144	£907,038	£2,471	367	£5,160	176



While the serviced apartment model is fairly new to the UK outside of London, early indications are that there is significant demand for this type of accommodation in city centres.

Units in large residential towers make ideal purchases with tenant demand coming from several blue chip companies. Serviced accommodation is also an alternative way for people to stay in the city without having to book into a hotel.

6. PROPERTY PRICES

Property prices in Manchester as we have established in this report are extremely variable depending on where you invest in Manchester. Taking a bird's eye view of the city however, the growth trend is clear for every property type.

Significant capital growth has occurred particularly in semi-detached and detached properties, which are in high demand in most parts of the country.

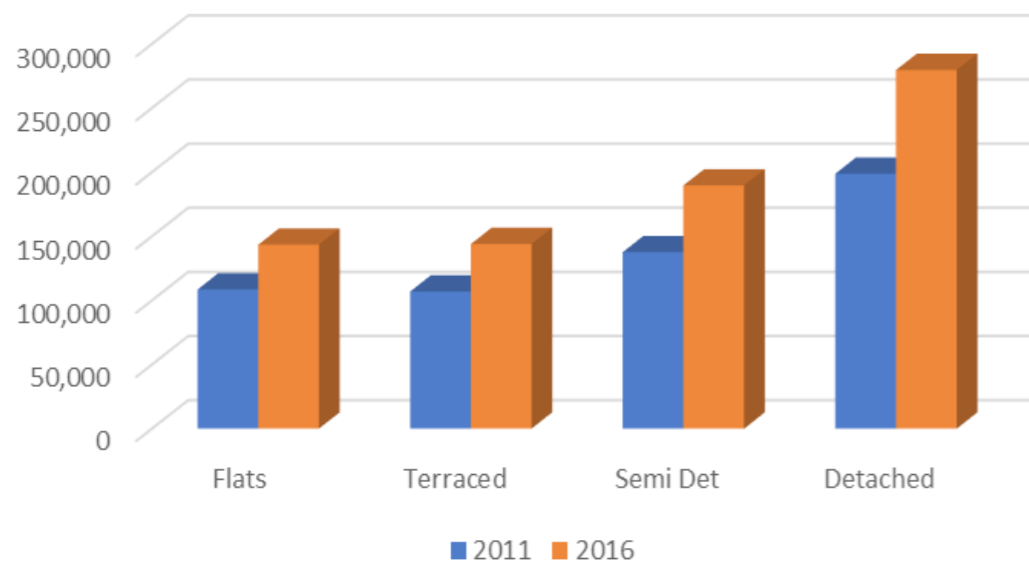
Apartment prices too have risen by around £35,000 in the past five years according to Land Registry data which is based on actual sales transactions.



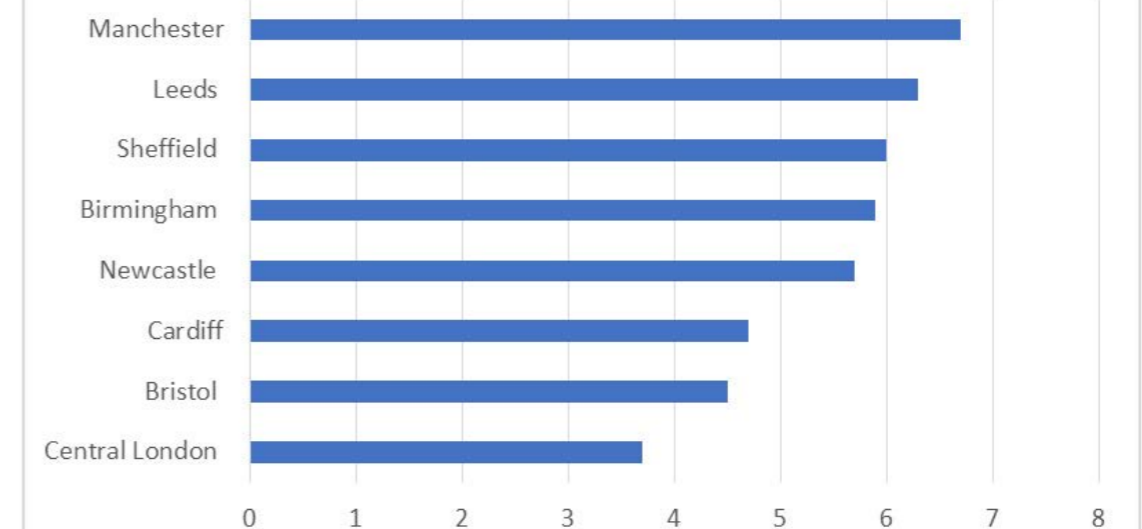
HOW DOES MANCHESTER CITY CENTRE COMPARE FOR RENTAL YIELDS?

Manchester is recognised as one of the leading cities in the UK for rental yields. While London offers more capital growth in the long term, for investors looking for consistent long term returns and lower entry prices, few cities can beat Manchester.

Property Prices By Type 2011-2016



City Centre Rental Yields



7. MANCHESTER FACTS AND FIGURES

- Manchester was the world's first industrial city
- 20 Nobel Prize winners have worked or studied at Manchester University
- The first modern computer was built at the university of Manchester in 1948
- Manchester airport is the UK's largest outside London
- The population of the city of Manchester is currently 520,000
- The population of Greater Manchester is the second largest in terms of metropolitan area in the UK after London
- In 2014, the Globalization and World Cities Research Network ranked Manchester as a beta world city, the highest-ranked British city apart from London
- Manchester is the third most visited city in the UK
- Manchester is home to the world's richest football club Manchester United (2017)



18. ABOUT RESIDENTIAL ESTATES

SMALL PRINT



WHO WE ARE?

Residential Estates began as an estate agency in Chester and has since expanded its operations to include UK property investments. We like to keep things simple for our clients, so we have developed a comprehensive corporate model, which is carefully designed with investors in mind.

Our aim is to provide our clients with access to a dynamic portfolio of UK properties that offer a combination of strong growth returns and positive cash flow income.

Investing in positive cash flow properties significantly reduces the risk because the property generates a return regardless of market conditions, employment status or other financial commitments.

We never want you to miss the latest news, product information, tips and special offers. So, if you use Facebook, Instagram or Twitter you can receive information ahead of everyone else.



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