Property Investment in English Regional Cities

A tale of three cities

delph property group

collaborative partnerships in residential

Regional Renaissance

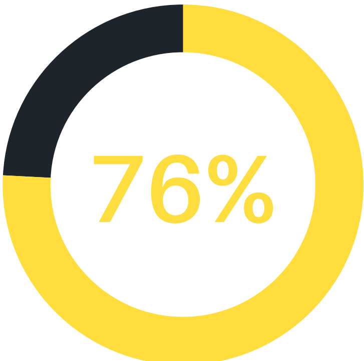
Three key English cities – Leicester, Liverpool and Manchester – are enjoying a period of sustained economic growth, making them attractive locations for both residential property investors and first-time buyers.

The conditions are close to perfect for investment in buoyant residential markets in the three cities which are the focus for this report - Leicester, Liverpool and Manchester. Proactive local councils have succeeded in attracting inward investment from the private and state sectors, fuelling the jobs market and attracting skilled young professionals.

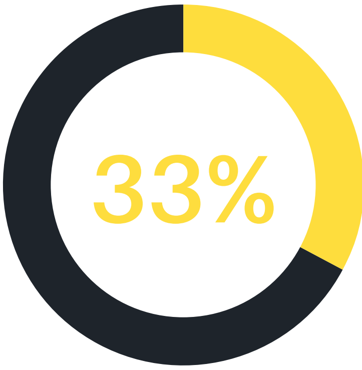
The emergence of revitalised city centres with fantastic shops and vibrant evening economies has coincided with a wider trend towards city living. The net result is steadily increasing property values and all three cities now boast faster house price growth rates than London, making them ideal locations for investors or owner occupiers.

What are the profiles of a city centre resident?

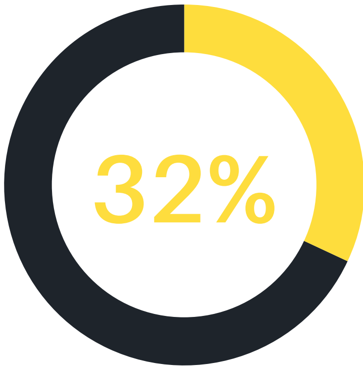
Source: Centre for Cities



of residents live in apartments



are aged between 20 and 29



of residents walk to work

Is there enough to go around?

Existing housing stock is failing to meet the needs of the market, with the number of new houses being built still lagging behind Government targets.

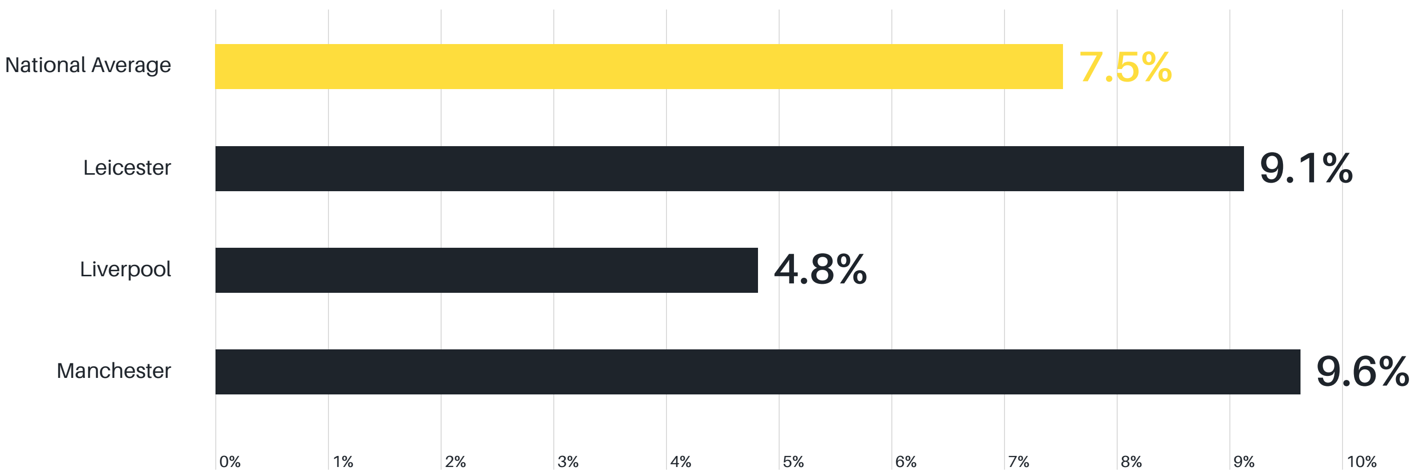
In 2007 the Labour government set a target for 240,000 homes to be built a year by 2016. This figure was revised down to 200,000 in 2015 by the Conservatives, with a pledge to build one million new homes by 2020. Figures published in May this year showed 147,000 homes were completed in 2016/17, a shortfall of 53,000.
Source: BBC

Overcrowding is recognised as a challenge by Leicester, Liverpool and Manchester councils, with the number of households in private rented accommodation at well above the national average.

Older properties are failing to meet the demands of the market, which has shifted in favour of new-build apartments closer to the city centre and within walking distance of work, shops, restaurants and evening entertainment. Population growth is predicted in all three cities, with significant increases forecast for Manchester and Leicester, creating intense pressure for city centre accommodation and shoring up rental levels and yields.

Projected percentage population growth between mid-2014 and mid-2024

Source: ons.gov.uk



*as per August 2017

A vibrant job market fuels a city's growth

Leicester, Liverpool and Manchester are all home to large universities and highly skilled industries, attracting thousands of graduates each year and fuelling local economic growth.

A growing number of university graduates (North West England 13%, East Midlands 15.9%) decided to remain living in their university city or region after completing their studies[1]. Combined with The Northern Powerhouse and The Midlands Engine initiatives coming on-stream, Leicester, Liverpool and Manchester are generating well-paid jobs in a variety of sought-after sectors and further consolidating economic growth in their respective regions.

Leicester is investing in high-tech industries, creating a £75 million Space Park to complement Leicester University's Space Science Research Centre. The National Space Park will produce technology for satellites, earth observation and weather monitoring[2]. Opening in 2019, the park will benefit from a £25 million investment from local growth funding and the University of Leicester.

Liverpool is building on its maritime heritage and creating employment opportunities in STEM (science, technology, engineering, and mathematics), logistics and shipping at the Liverpool Superport. With an investment of £1 billion this will be the first European semi-automated supercontainer port, able to support 95% of the world's largest container ships, providing rapid access to a market of 35 million people within a 150 mile radius, from the historic Port of Liverpool along the Manchester Ship Canal and via the road and rail network[3].

Manchester recently ranked the third most influential city in Europe, after London and Paris, by Colliers International's 'Cities of Influence TLC Index', enjoys a diverse and balanced economy. An expanding creative sector has also emerged following the BBC relocation to the MediaCity in Salford, prompting CBRE to rank the city top for regional creative industries, with many graduates settling in Manchester after their studies.

100+

Leicester
The National Space Park will host over 100 companies

£1bn

Liverpool
£1 billion investment in superport infrastructure

5,000

Manchester
hosts 5,000 creative businesses

1 Source: HECSU Market Trends Spring 2016
2 Source: Department for International Trade
3 Source: Liverpool City regions, Skills for Growth

Active inward investment

Residential-led developments are a catalyst for regeneration and economic growth. Regional cities are a magnet for investors in what has become one of the key emerging trends in UK property over the past two years.

Priced out of London, investors have to look elswhere in search of higher returns. These factors combined with constrained supply have pushed up prices to their highest rate in over a decade.

Leicester is combating low vacancy rates and dereliction by transforming a 2-acre island on the banks of the River Soar that was previously occupied by a cement works. The proposed waterside scheme will comprise a residential development of two and three story townhouses, a new park and 1,850sqm of new office space, as well as many other new developments planned for the future.
Source: Leicester City Council

Liverpool was transformed by the Liverpool One regeneration and becoming the City of Culture in 2012, and is now concentrating on transforming its waterfronts with Wirral Waters, the largest regeneration project in the UK and sister project Liverpool Waters. Liverpool Waters is a £5 billion, 30 year project bringing 21 million sqft of development including 9,000 residential dwellings.

Manchester is building upwards and the city skyline is forecast to include 18 new skyscrapers over the next few years. This includes a tower on Owen Street which, at 64 storeys, will be the tallest building in Manchester and the tallest building in the UK outside of London.

£412m

Leicester
£392 million investment through the Local Growth Fund, plus £20 million for Midlands Skills Challenge to improve employment prospects for people living and working in the region
Sources: MidlandsEngine.org and Gov.uk

£10bn

Liverpool
Wirral Waters (13,500 residential units) and Liverpool Waters (9,000 residential units) have a combined potential development value of £10bn
Sources: Liverpoolecho.co.uk and Liverpoolwaters.co.uk

1,200

Manchester
Planning permission for 18 new skyscrapers has been granted to house 1,200 residential units
Source: Manchester Evening News

Transport investment speeds up growth

Sustained investment in national and local transport connections is having a knock-on effect on property values. The development of new and faster public transport links can significantly affect housing values, with property near good transport links showing better price growth than those further out.

A 2015 Knight Frank report analysed how property prices have moved along the route of Crossrail 1 and confirming that people want to live near transport links and how this has had a direct impact on property prices.

The recent increase in powers for devolved local governments has enabled each city to design a transport strategy to strengthen their growing economies and enhance local, regional and national connectivity.

Leicester City Council's 'Connecting Leicester' focuses on improving internal transport links within the city to make it a more desirable destination for tourists and residents. Key projects include a new £13.5m bus station and improved access to the East Midlands Airport.
Source: Leicester City Council

Liverpool's 'Transport Plan for Growth' underlines the symbiotic relationship between local economies and improved transport infrastructure. It also intends to unlock individual sites for future regeneration projects, bringing further growth to the city.
Source: Merseyside Travel - Liverpool City Region Bus Strategy

Manchester is already known for its efficient public transport and is the city least dependent on cars. These connections are expected to further improve thanks to the Greater Manchester's 'Transport Strategy 2040', which aims to support sustained population and economic growth by integrating current modes of travel and supporting low-car lifestyles.
Source: GMCA - Investing in Greater Manchester transport 2016/2017

2030

The East Midlands Airport will double passenger capacity and triple freight capacity handled by 2030

£2.5bn

Liverpool City Council is integrating its bus network to deliver £2.5bn in economic benefits against public funding of £500m a year

£314m

Manchester has secured £314m for transport schemes costing more than £5m and £15m for smaller schemes costing less than £5m

The view from Delph

Why the time is right to invest in Leicester, Liverpool and Manchester

For investors, the housing markets in these three cities are a good buy for two simple reasons – strong local economies combined with a housing shortage. On top of this, low interest rates have created conditions that are now close to perfect for investment in a buoyant residential market.

Across the three cities, job creation is at a record high, attracting a skilled young workforce and supporting vibrant economies. The universities are feeding the jobs boom with graduates deciding to stay on after finishing, rather than following the usual migration path south to London.

Local and national government policies are succeeding in attracting inward investment, with each city choosing to take a different path. As a media hub and centre for the creative industries, Manchester is second only to London. Liverpool, on the other hand, is looking to its maritime past to create opportunities in logistics and shipping at the new Superport. Leicester, meanwhile, is investing heavily in providing a platform for high-tech industry.

All this positive growth is putting added pressure on housing. Demand is having a knock-on effect on rents, which are at record levels across nearly all housing types. In Leicester, Liverpool and Manchester, a significant percentage of the population live in private rented accommodation – well above the national average and often in older housing stock outside of the city centre, which are not particularly appealing to young professionals.

City living is growing in popularity but supply is failing to keep pace with demand. Young professionals are a significant demographic and there's clearly an appetite within this group for stand-out apartments, centrally located with great shops, restaurants and a vibrant evening economy on the doorstep.

The housing market in London and the South East has cooled but, as this report shows, the picture could not be more different in the Midlands and the North. A rebalancing of the economy and the housing market in England is long overdue. I believe we are now starting to see this happen.

Nicholas Belkin
Head of Acquisitions, Delph Property Group

About Delph Property Group

We buy off plan or completed apartment blocks from 50 – 400 units in city centre locations across the UK. We also offer forward funding and large deposits to reduce risk for builders and developers.

Since it was founded in 1948, Delph has been solely focused on residential property either through investing or developing, giving us unparalleled experience that sets us apart from other companies.

For land and acquisitions contact:

Nicholas Belkin
t: +44(0) 20 7907 5565
e: nbelkin@delphgroup.com
w: delphgroup.com

For general enquiries contact:

44-45 Great Marlborough St, London, W1F 7JL

t: +44(0) 20 7907 5555
f: +44(0) 20 7907 5556
e: info@delphgroup.com
w: delphgroup.com

twitter.com/delphgroup

linkedin.com/company/delph-property-group