

Research

UK | Winter 2023/ 2024

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Big Six Residential Development Report

Foreword

2023 was a challenging year for the housing market. Yet, our city centres remained resilient, benefitting from an influx of new residents, fuelling demand for homes across the Big Six.

The rental market continued to be characterised by scarcity of stock, particularly in the early part of the year. Although the disparity between supply and demand eased at the year end, we still expect the rental market in 2024 to remain competitive across the six city markets.

Another consistent theme is the desire from residents to live in vibrant, highly amenitised, and well-connected city centre locations. For the sales market, rising mortgage rates combined with increases in the cost of living meant those purchasing often had more constrained budgets. This meant we saw greater activity at the lower end of the market, with first-time buyers not necessarily absent but often having less to spend and having to adjust to smaller homes to align with their more limited budgets.

But the mood music surrounding the UK housing market changed this year. Early indicators suggest activity is increasing and the outlook for the market from both purchasers and property professional is increasingly optimistic. The consensus on the direction of travel for the bank rate is improving, and a five-year fix has now fallen below 4% for those with bigger deposits.

Rising sentiment and falling rates has already begun to feed into the market. Land Registry, Nationwide and Halifax have all reported monthly rises to house prices in their latest indices.

In the lettings market, rental growth is beginning to soften to more sustainable levels, with more stock available on the market.



The JLL Big Six Residential Development Report compares activity, prices, and rents across six UK cities outside London: Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester. This report incorporates data from the JLL UK Cities index, comparing changes in prices and rents across mainstream and prime developments in each city.

Build to rent

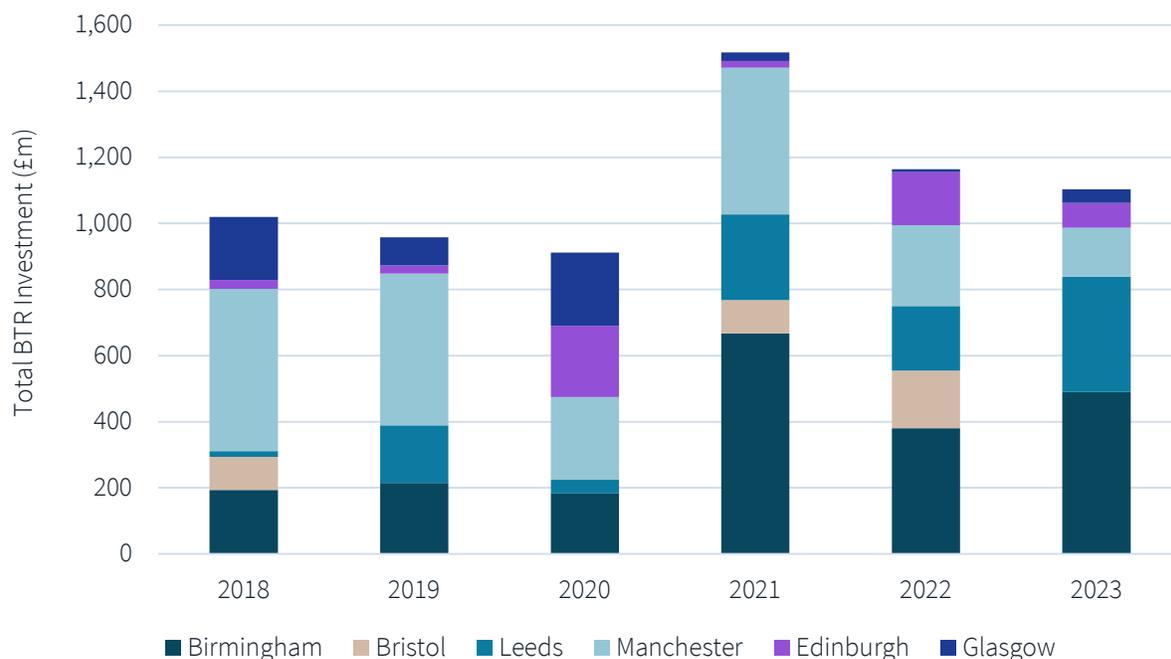
In an otherwise challenging period for real estate investment last year, BTR was a bright spot, remaining relatively resilient in the face of economic headwinds. Steep inflation and rapidly rising interest rates hurt investment volumes, but the undersupply of housing and operational strength of rental homes ensured that activity continued in BTR. This was particularly true across the Big Six.

Investment across the major Big Six regional cities totalled £1.1bn, falling just 5% year-on-year, compared to 20% in the UK more widely. The cities benefitted from higher yields, especially at a time when the risk-free rate, coupled with high financing costs, eroded investor appetite for lower yielding development opportunities in the most prime locations.

Birmingham was the most active of the six cities, recording three deals totalling £490m in 2023. This included funding for both Moda’s 722-home Great Charles Street scheme and the 156-home Lower Essex Square site. These developments were part of several transactions that showcased continued interest in regional multifamily in an otherwise challenging year for the sub-sector.

Across the Big Six, multifamily investment fell 19% year-on-year to £922m – a much shallower dip than the 50% total fall across UK multifamily. Combined with a further £181m of single-family investment (2022: £31m), the Big Six made up nearly a quarter of total BTR investment in the UK in 2023, adding more than 5,000 new homes to the development pipeline along the way.

BTR Investment – Big Six Cities



Source: JLL Research

Largest BTR Schemes in the Big Six Pipeline



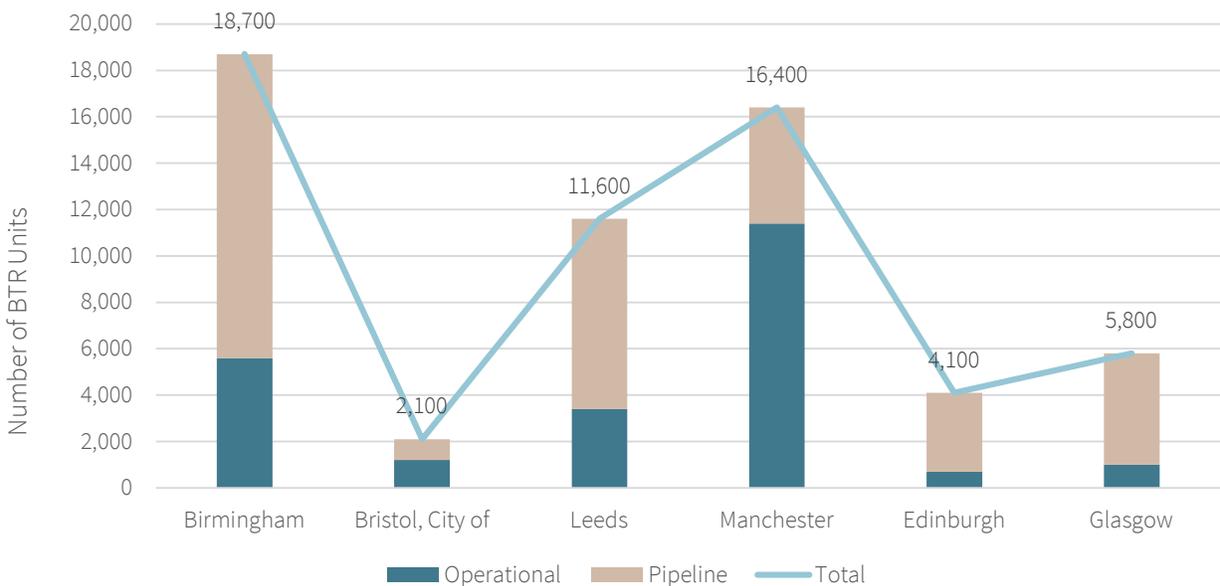
Manchester was for several years the largest regional magnet for BTR investors, and now the number of operational homes is significantly higher than in any other Big Six city (11,400).

As the sector has grown, development has shifted to other markets. Birmingham, as the most populous city outside of London, has been the most active regional investment market for the last three years and has amassed a pipeline of more than 13,000 homes.

Leeds is following in Birmingham’s footsteps as the next largest city. Investment in BTR has ramped up in recent years, nearing £350m in 2023 – up 78% on 2022. Although its operational stock (3,400 homes) is a fraction of Manchester’s, it’s also catching up with nearly 8,200 homes in its pipeline.

Meanwhile, Edinburgh has the largest pipeline relative to operational stock in the Big Six with 4.9 times more units with planning permission or under construction than currently open. Glasgow is a close second at 4.8, pointing to a sharp expansion of BTR in Scotland’s major cities.

Size of the BTR market – Big Six cities



Source: JLL Research

Cities Index - sales

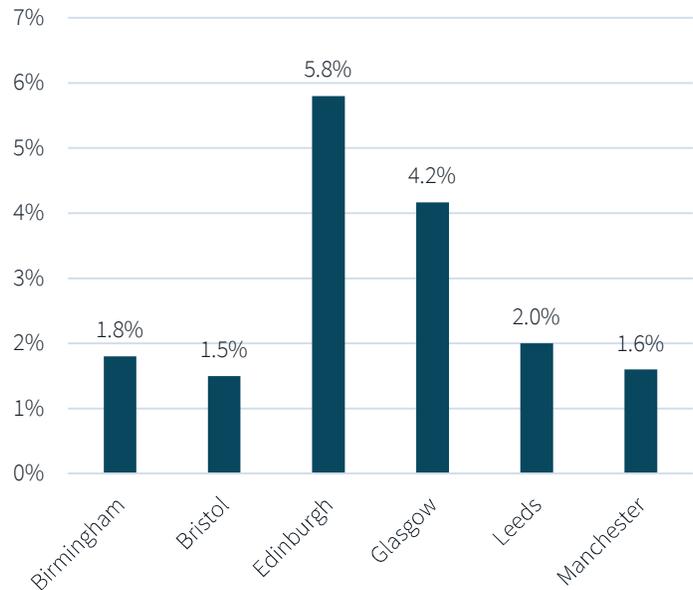
The last three years have seen prices for new homes in all six city markets increase by 9% or more. Our year-end valuations show the annual rate of price growth has slowed across the Big Six cities, with average rate across the cities of 2.8%.

Edinburgh and Glasgow have experienced the highest annual growth in prices of 5.8% and 4.2% respectively.

Within Birmingham, the growing jobs market, strong economic outlook and ongoing investment in infrastructure (now the only recipient of HS2) has meant demand remained robust throughout the year. Both Manchester and Birmingham continue to experience strong demand from overseas buyers.

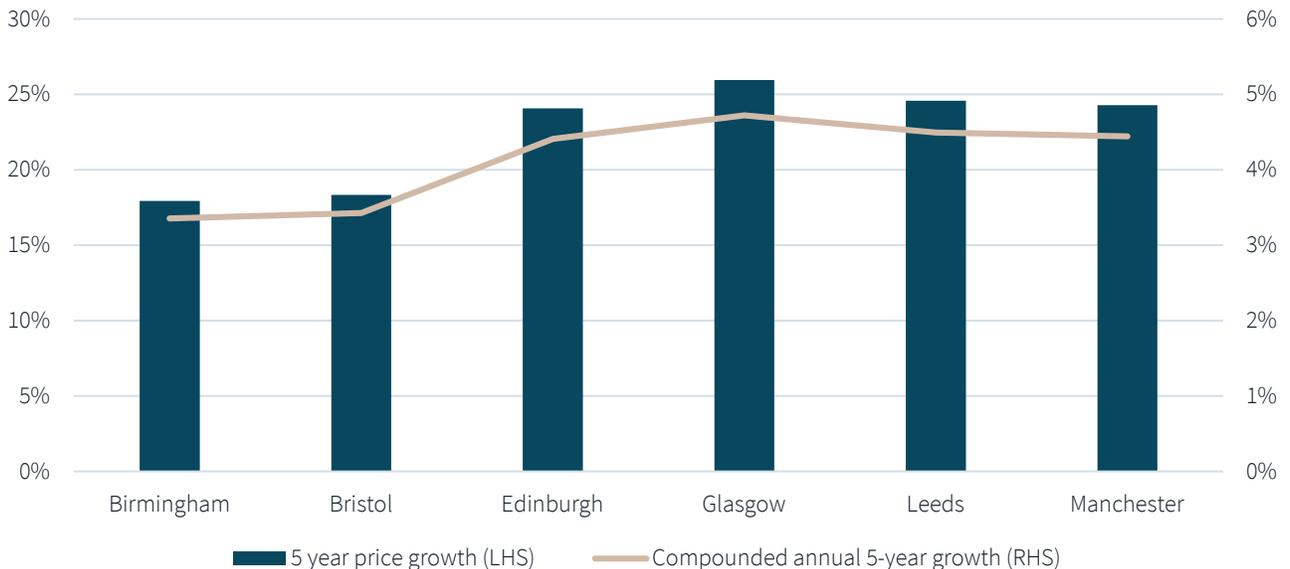
In most Big Six markets, smaller more affordable homes have experienced the strongest price growth. This largely reflects the pinch that rising mortgage rates and household costs are having on buyer's budgets.

Average annual price growth



Source: JLL Research/ Kingsdene Property

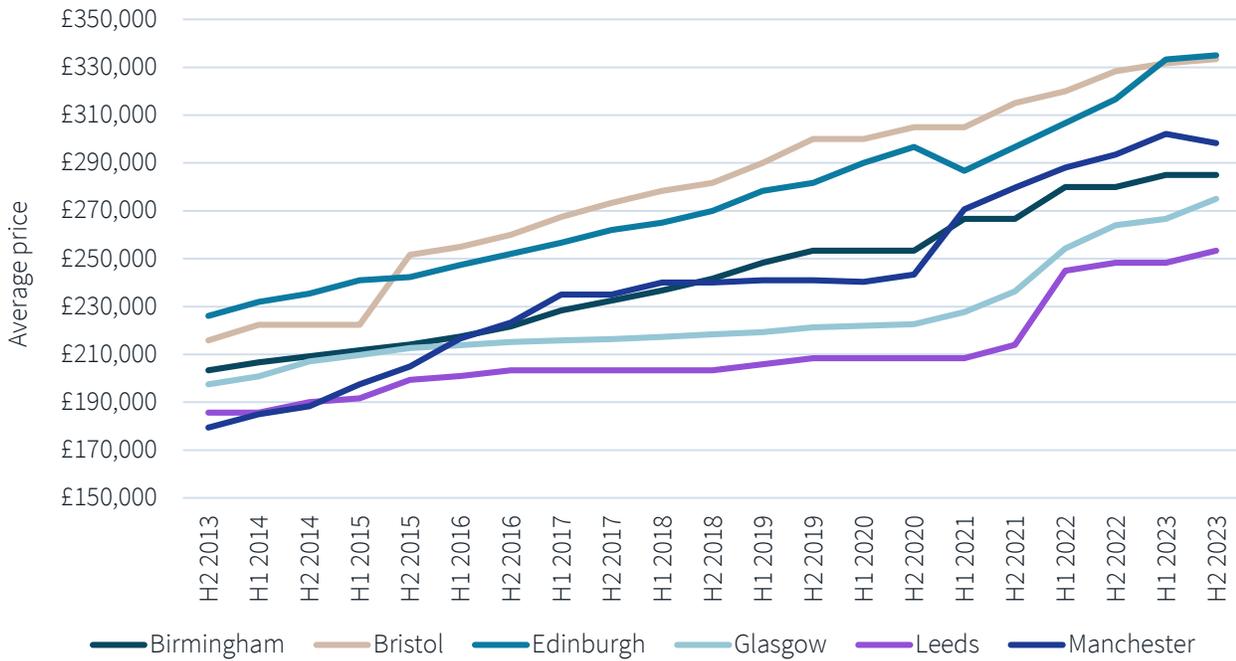
Five-year price growth



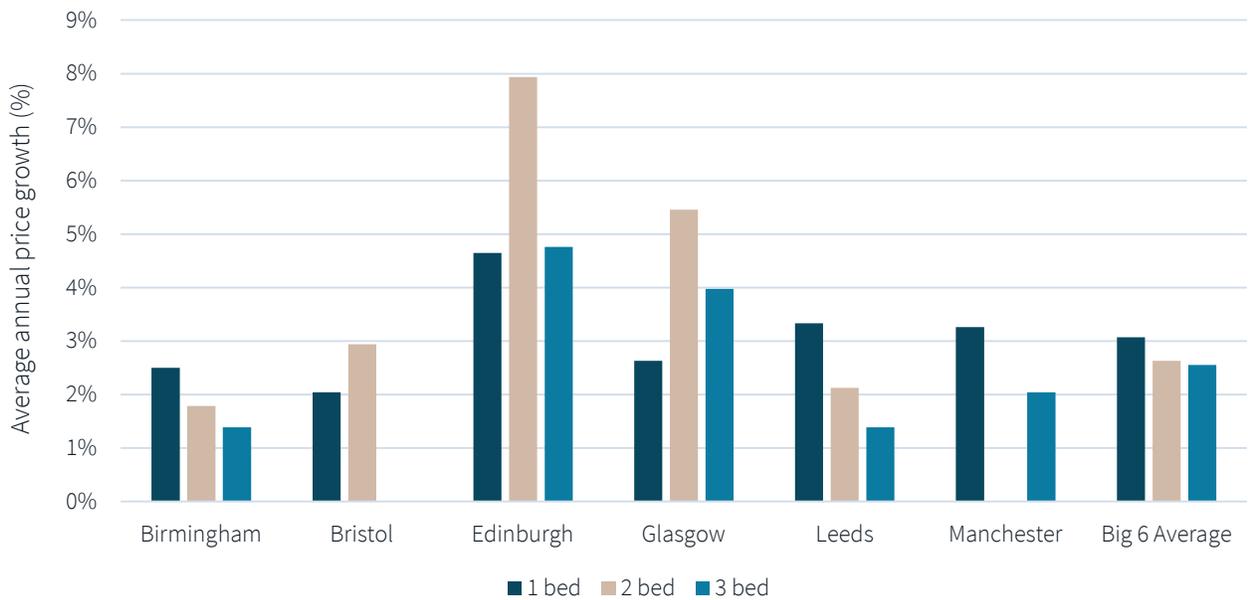
Source: JLL Research/ Kingsdene Property

Cities Index - sales

Cities Index - Average new build flat price



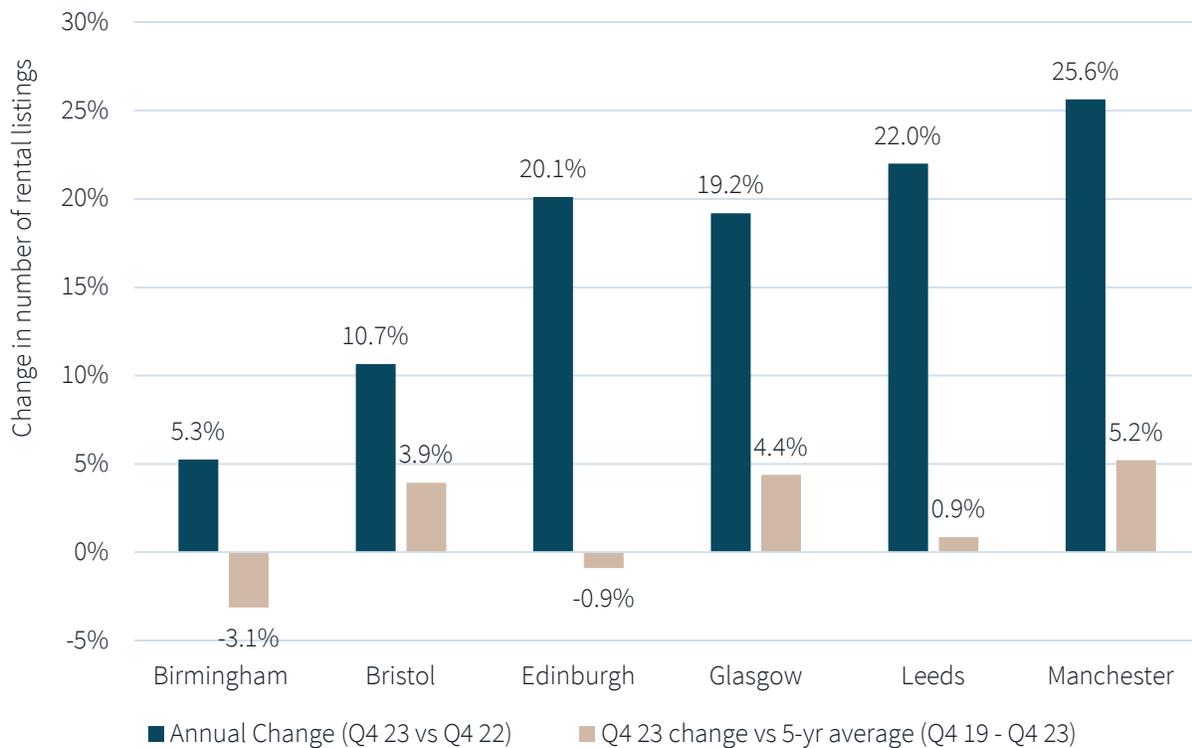
Annual change in prices - year to December 2023



Source: JLL Research/ Kingsdene Property

Cities Index - rents

Change in rental listings



Source: JLL Research, Rightmove

There has been a gradual increase in rental stock available on the market across all six cities. On average, rental stock on the market was 17.4% higher across the Big Six in Q4 2023 than a year prior, albeit off a historically low base. Manchester has experienced the largest increase in homes available over the past year.

Annually, and compared to the five-year average, Birmingham has seen the smallest growth in rental homes available. Rental stock on the market in Birmingham in Q4 2023, was still down -3.1% compared to the five-year average. The shortage of stock across the city has fuelled significant rental growth over the past year, at 16.7% - the highest of the Big Six.

Rising mortgage rates and household costs experienced over the past year have meant we have seen potential buyers remain in rented accommodation for longer periods, while they wait for rates to fall and market conditions to settle. This has driven demand for rental homes across the Big Six cities.

As stock levels begin to rise and we see improved balance between supply and demand, tenants now have greater bargaining power over rents. This is a theme we have seen across the UK, resulting in softening rental growth to more sustainable levels.

Cities Index - rents

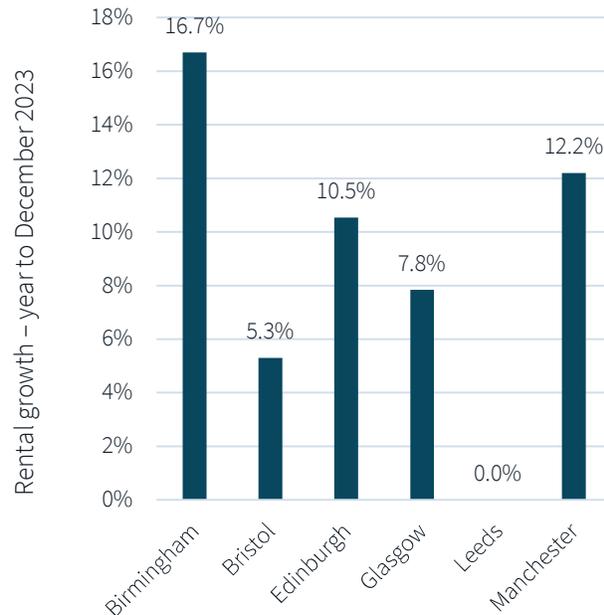
New homes across Big Six recorded average annual rental growth of more than 8% in the year to December 2023. Smaller one- and two-bedroom flats have seen the highest annual growth, averaging 8.6%. By comparison, rental growth for three-bedroom flats remains strong at 7.5% annually.

Birmingham is currently experiencing the highest annual growth at 16.7%. The city is showing little sign of slowing, particularly in comparison to others in the Big Six. Our previous rental growth figures for Birmingham in June 2023 showed 17.9% annual growth.

Recently completed BTR schemes in Birmingham are now coming to the market in both the city centre and more suburban locations. Strong take up and little in the way of voids demonstrates the depth of demand for quality rental stock in the city. Birmingham also continues to benefit from strong interest from overseas tenants.

In comparison to the other Big Six cities, average rents for new flats in Leeds have remained unchanged over the past year. However, this follows a period of strong growth over the past three years, with rents 28.7% higher than they were at the end of 2020.

Average annual rental growth



Source: JLL Research/ Kingsdene Property

Cooling rental growth across most of the Big Six cities reflects a general rise in rental stock available on the market. This has given tenants greater bargaining power over rents. There remains significant rental demand across the Big Six cities, particularly for high quality new homes. We expect this demand to continue into the summer, underpinning rental growth.

Scottish rent caps

In Scotland, the current rental cap of 3% for existing tenancies will remain in place until 31st March 2024. New lets fall outside of this rent cap, and the high demand for rental homes has continued to drive strong rental growth for new lets. However, new regulations (subject to parliamentary approval) will apply from 1st April 2024 for an additional year. This will allow tenants to dispute what they feel are excessive rental increases and apply for rent adjudication.

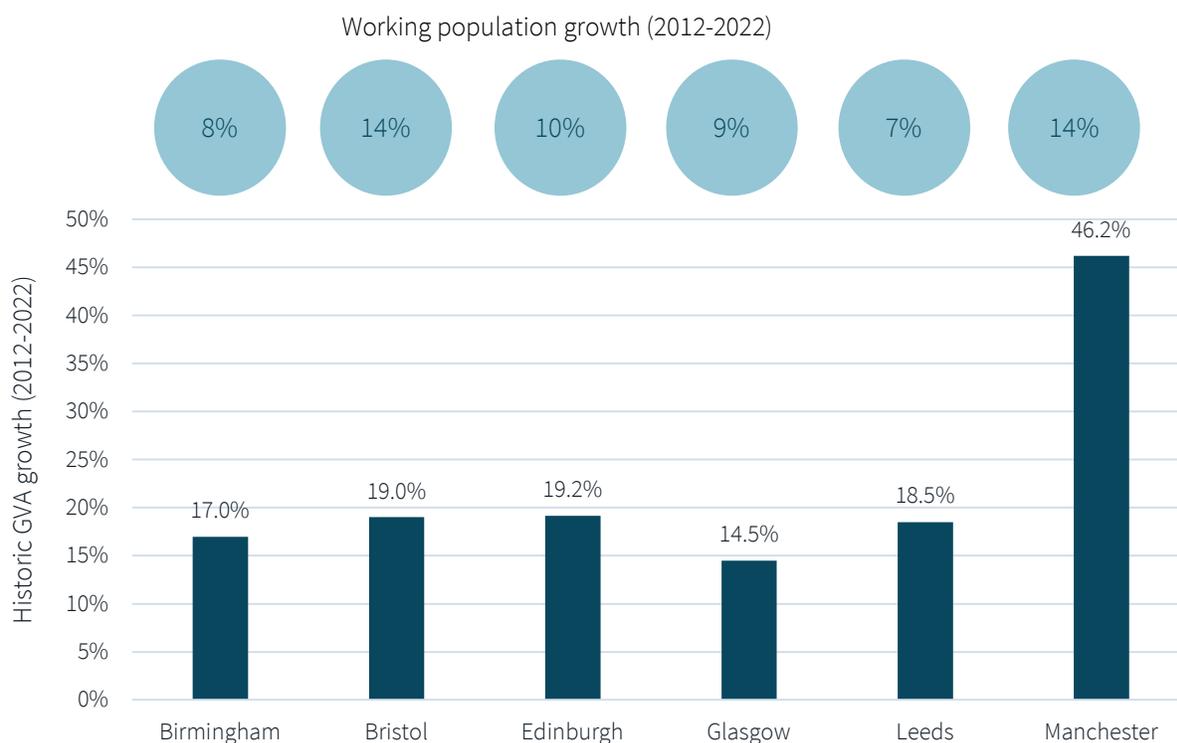
These new rules allow landlords to increase rents to bring them up to market value if the gap between current and market rents is 6% or less. If the gap is wider, landlords can increase rents by 6%, +0.33% for every percentage point that the gap exceeds 6% (capped at 12%).

Under current proposals after 12 months there will be no restriction.

Big Six economics

All the Big Six cities have seen their economies grow in the last decade. GVA growth, which measures the increase in the value of goods and services, has risen by of 14% or more across the cities in the last ten years. Manchester remains the frontrunner, benefitting from significant investment in infrastructure and regeneration. Over the same period the size of the working population across all six cities has risen too, with all seeing higher growth than the UK average of 3.8%.

Historic 10-year growth: GVA vs Working Population



10-year forecast

City	10-year forecast GVA Growth	10-year forecast Working Population Growth
Birmingham	14.0%	1.7%
Bristol	14.7%	1.4%
Edinburgh	14.4%	8.5%
Glasgow	16.9%	5.8%
Leeds	14.8%	2.0%
Manchester	21.1%	7.8%

Source: JLL, Oxford Economics

City centre forecasts

The Big Six have seen some of the highest growth in new households in recent years, with increases in urban populations far outpacing rural.

But the demand for homes, alongside challenges over development viability means we expect fewer new homes to be delivered. This will mean the cities will continue to see an imbalance between new stock and demand, in turn supporting growth in prices and rents.

We do expect modest price falls in 2024, as buying power and sentiment is impacted by higher mortgage rates (albeit down from their 2023 highs), but all our city markets are expected to outperform the wider region in the five years to 2028.

Edinburgh, Manchester and Birmingham will see the strongest growth in prices and rents, with household projections suggesting these cities will continue to attract the highest proportion of new households.

JLL UK city centre house price forecasts

Sales price growth (% pa)	2024	2025	2026	2027	2028	Cumulative 2024-28	Average pa 2024-28
Bristol	-2.0	2.5	3.5	5.0	5.0	14.6	2.8
Birmingham	-1.5	4.0	4.5	4.5	5.0	17.5	3.3
Manchester	-1.0	3.5	4.0	4.5	5.0	16.9	3.2
Leeds	-2.0	3.0	4.0	4.5	4.5	14.6	2.8
Edinburgh	-1.0	3.5	4.5	4.5	4.5	16.9	3.2
Glasgow	-1.5	3.0	4.0	4.5	4.5	15.2	2.9

Rental growth (% pa)	2024	2025	2026	2027	2028	Cumulative 2024-28	Average pa 2024-28
UK BTR	6.0	5.5	4.5	4.5	4.0	27.0	4.9
Bristol	5.0	5.0	4.5	4.0	4.0	24.6	4.5
Birmingham	5.5	5.5	4.5	4.0	3.5	25.2	4.6
Manchester	6.0	5.5	4.5	4.0	3.5	25.8	4.7
Leeds	5.0	5.0	4.5	4.0	3.5	24.0	4.4
Edinburgh	6.5	5.0	4.5	4.0	3.5	25.8	4.7
Glasgow	6.5	5.0	4.0	4.0	3.5	25.2	4.6

Source: JLL

Big Six Cities



Birmingham

Prices and Rents (excluding prime)



1 bed: £205,000
2 bed: £285,000
3 bed: £365,000



1 bed: £1,075
2 bed: £1,375
3 bed: £1,750



BTR Investment 2023
£490.5m



BTR Units
Operational: 5,600
Pipeline: 13,100

Economic Indicators



Economy (GVA)
2012 – 2022: +17%
2022 – 2032: +14%

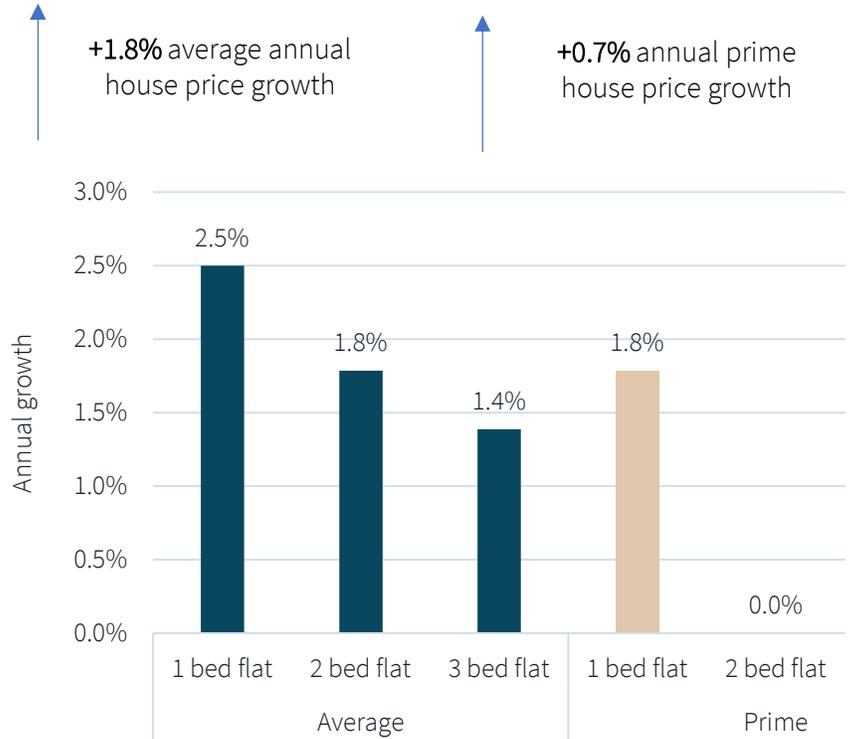


Employment
2012 – 2022: +15%
2022 – 2032: +8.8%

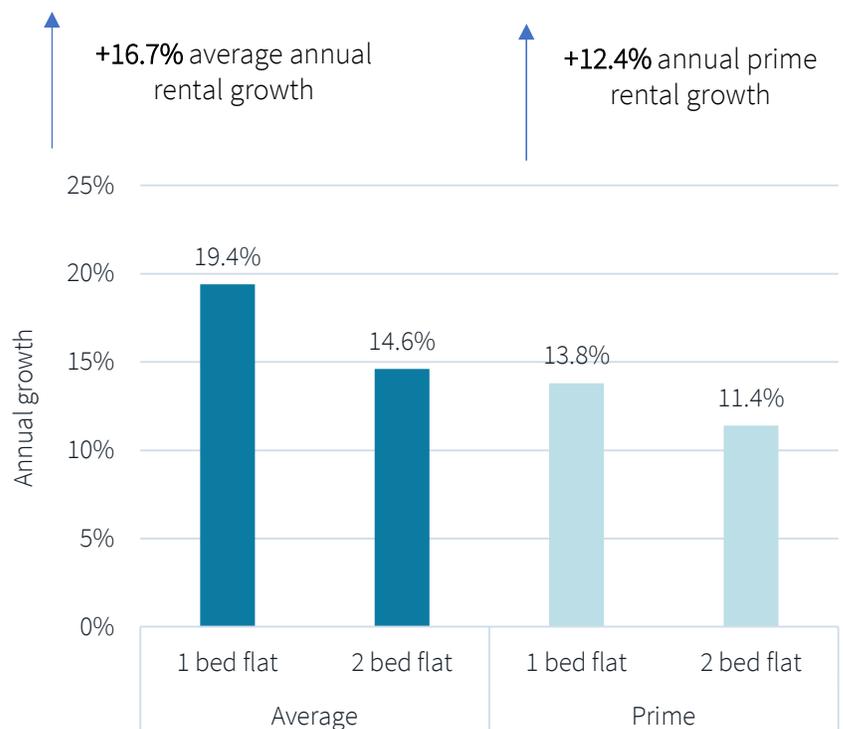


Working Population (16-65)
2012 – 2022: +8%
2022 – 2032: +2%

Birmingham - Pricing



Birmingham - Rents



Bristol

Prices and Rents (excluding prime)



1 bed: £250,000
2 bed: £350,000
3 bed: £400,000



1 bed: £1,300
2 bed: £1,700
3 bed: £2,000



BTR Investment 2023
£ N/A



BTR Units
Operational: 1,200
Pipeline: 900

Economic Indicators



Economy (GVA)
2012 – 2022: +19%
2022 – 2032: 14.7%

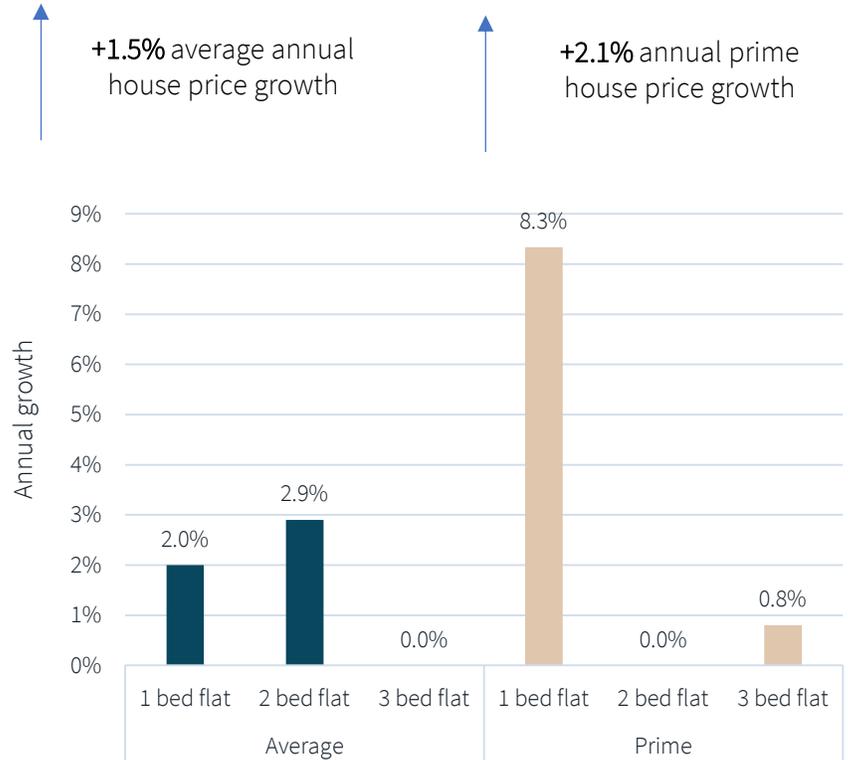


Employment
2012 – 2022: +23.6%
2022 – 2032: +11.2%

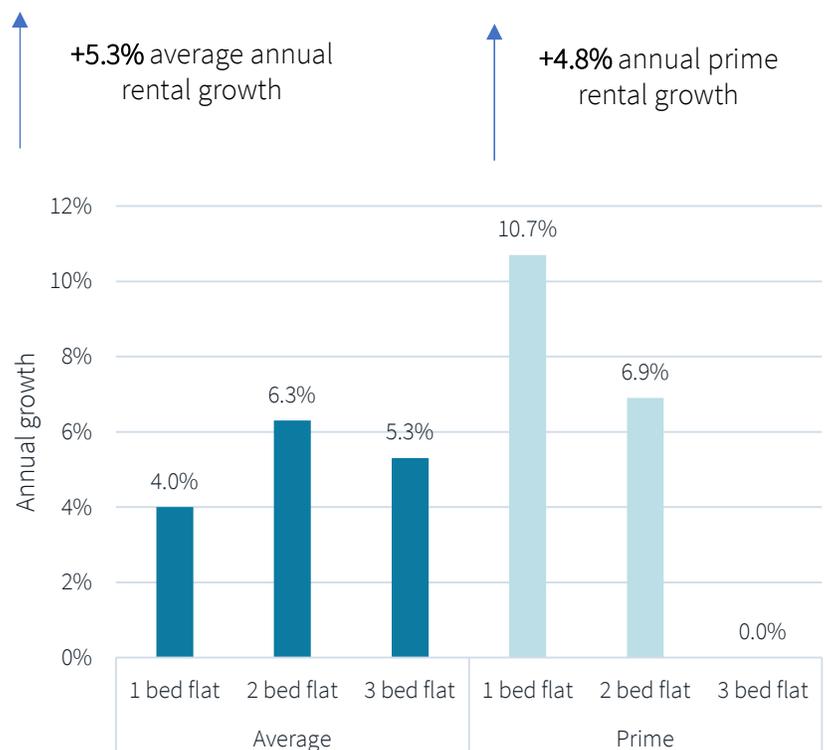


Working Population (16-65)
2012 – 2022: + 14%
2022 – 2032: +1%

Bristol - Pricing



Bristol - Rents



Edinburgh

Prices and Rents (excluding prime)



1 bed: £225,000
2 bed: £340,000
3 bed: £440,000



1 bed: £1,052
2 bed: £1,413
3 bed: £1,909



BTR Investment 2023
£74.8m



BTR Units
Operational: 700
Pipeline: 3,400

Economic Indicators



Economy (GVA)
2012 – 2022: +19.2%
2022 – 2032: +14.4%

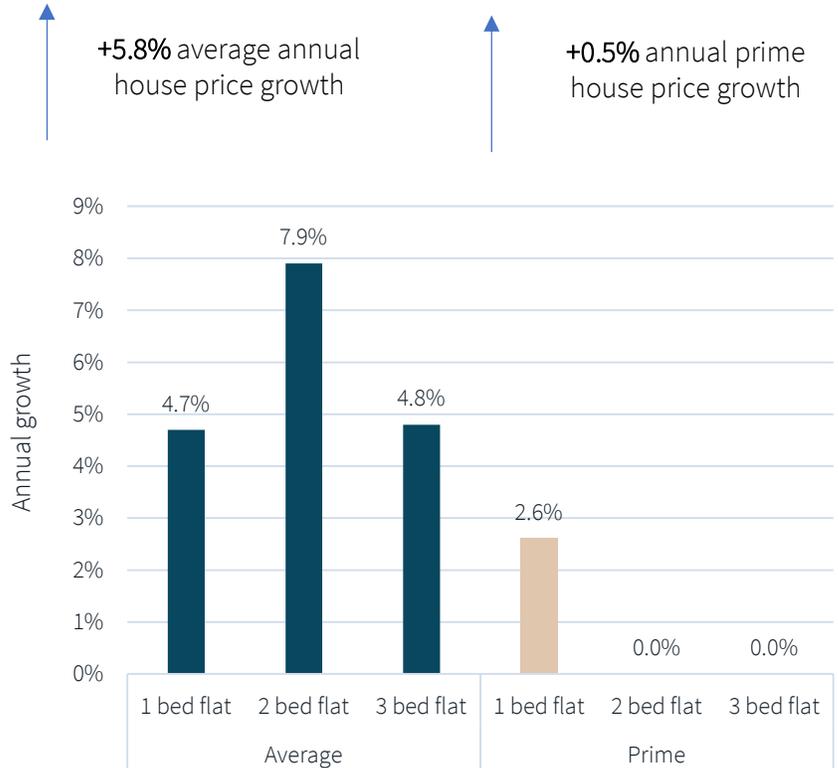


Employment
2012 – 2022: +18%
2022 – 2032: +9.4%

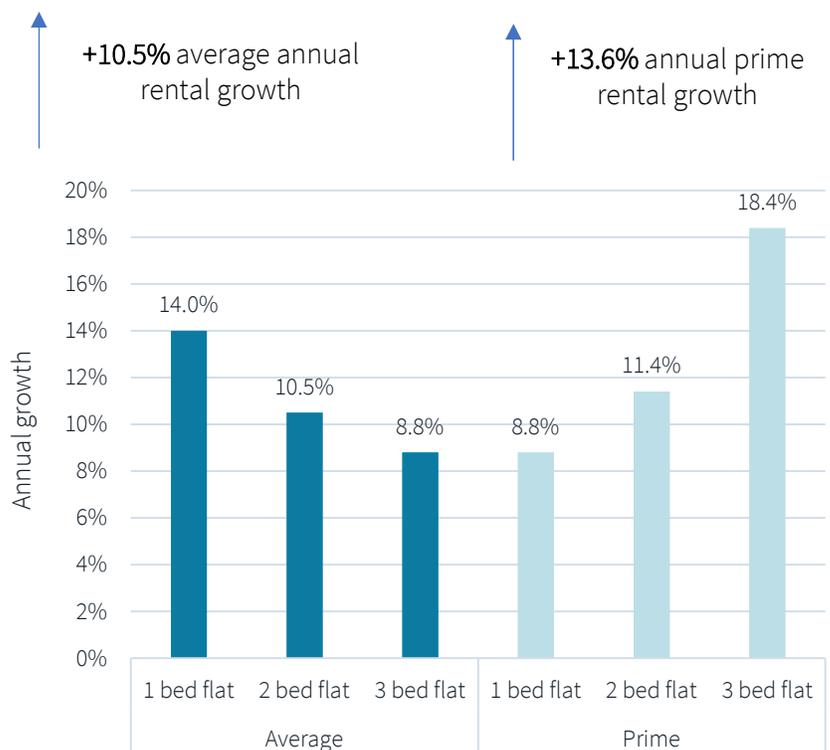


Working Population (16-65)
2012 – 2022: +10%
2022 – 2032: +9%

Edinburgh - Pricing



Edinburgh - Rents



Glasgow

Prices and Rents (excluding prime)



1 bed: £195,000
2 bed: £290,000
3 bed: £340,000



1 bed: £883
2 bed: £1,229
3 bed: £1,631



BTR Investment 2023
£41m



BTR Units
Operational: 1,000
Pipeline: 4,800

Economic Indicators



Economy (GVA)
2012 – 2022: +14.5%
2022 – 2032: +16.9%

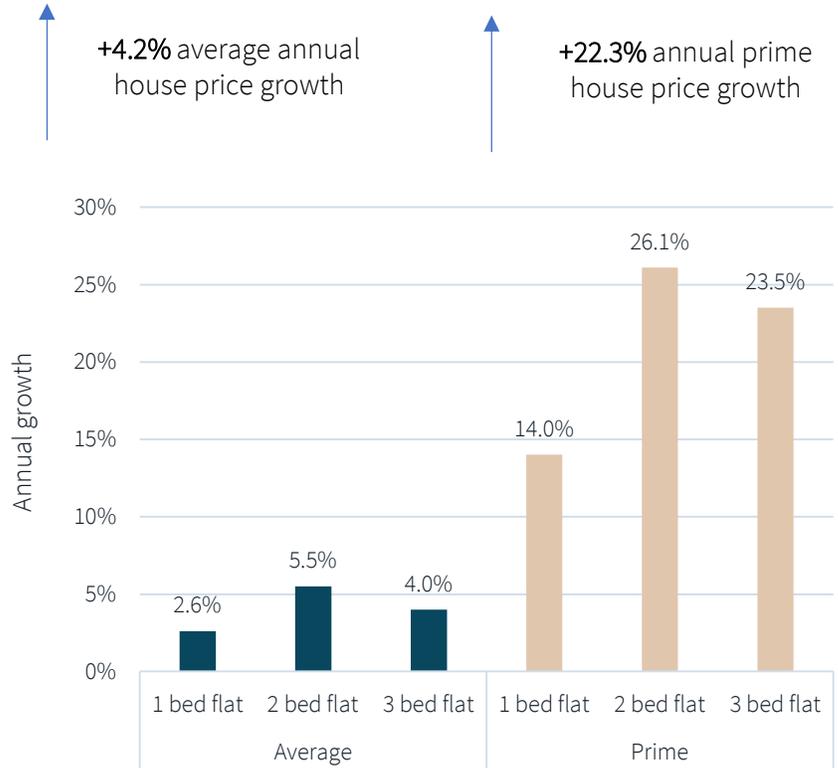


Employment
2012 – 2022: +11%
2022 – 2032: +8%

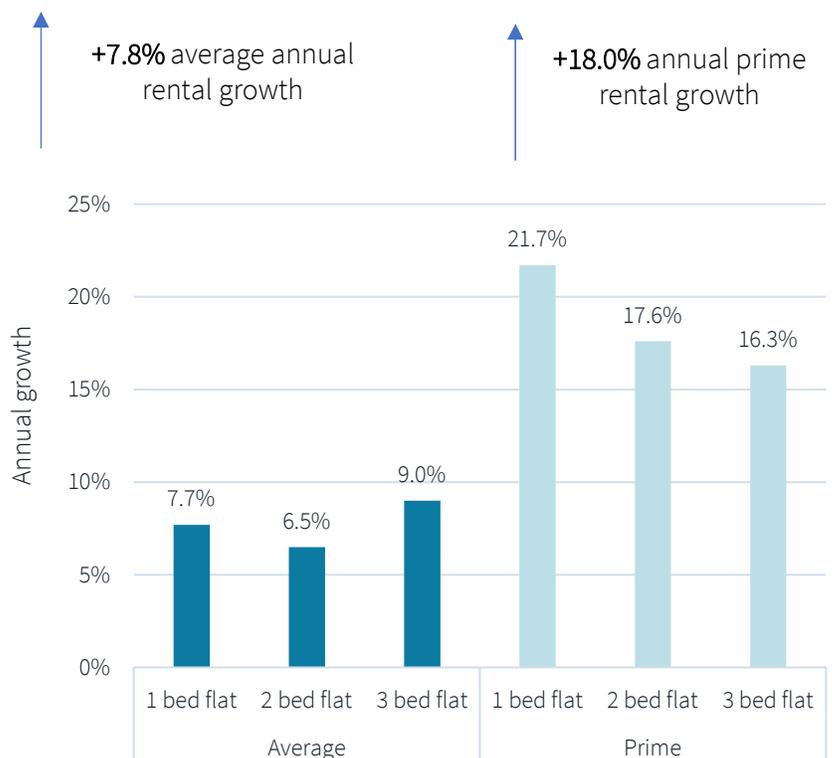


Working Population (16-65)
2012 – 2022: +9%
2022 – 2032: +6%

Glasgow - Pricing



Glasgow - Rents



Leeds

Prices and Rents (excluding prime)



1 bed: £155,000
2 bed: £240,000
3 bed: £365,000



1 bed: £850
2 bed: £1,250
3 bed: £1,850



BTR Investment 2023
£348.1m



BTR Units
Operational: 3,400
Pipeline: 8,200

Economic Indicators



Economy (GVA)
2012 – 2022: +18.5%
2022 – 2032: +14.8%

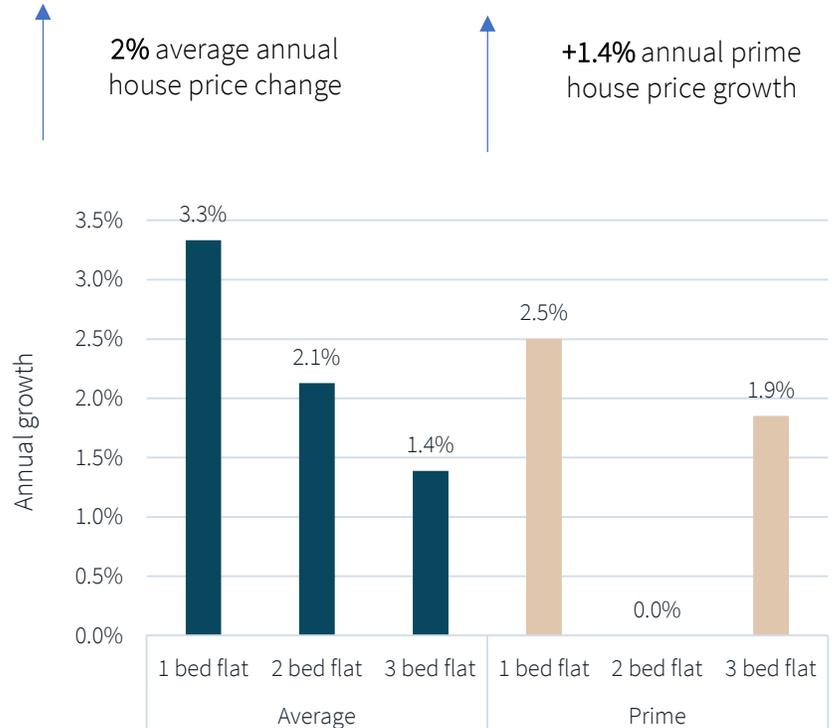


Employment
2012 – 2022: +17.7%
2022 – 2032: +7.7%

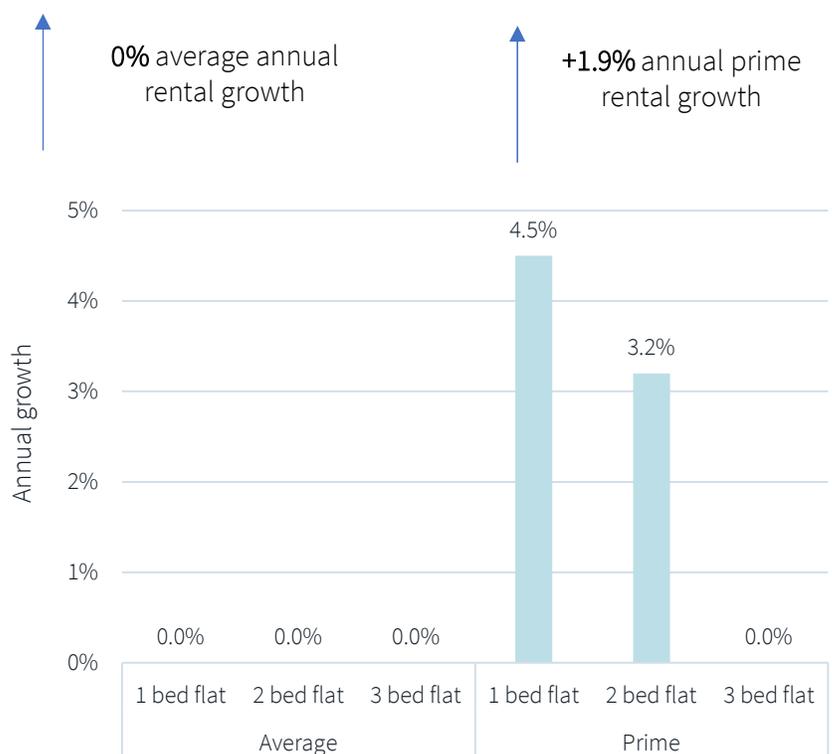


Working Population (16-65)
2012 – 2022: +7%
2022 – 2032: +2%

Leeds - Pricing



Leeds - Rents



Manchester

Prices and Rents (excluding prime)



1 bed: £219,950
2 bed: £300,000
3 bed: £375,000



1 bed: £1,250
2 bed: £1,700
3 bed: £2,400



BTR Investment 2023
£148.6m



BTR Units
Operational: 11,400
Pipeline: 5,000

Economic Indicators



Economy (GVA)
2012 – 2022: +46.2%
2022 – 2032: +21.1%

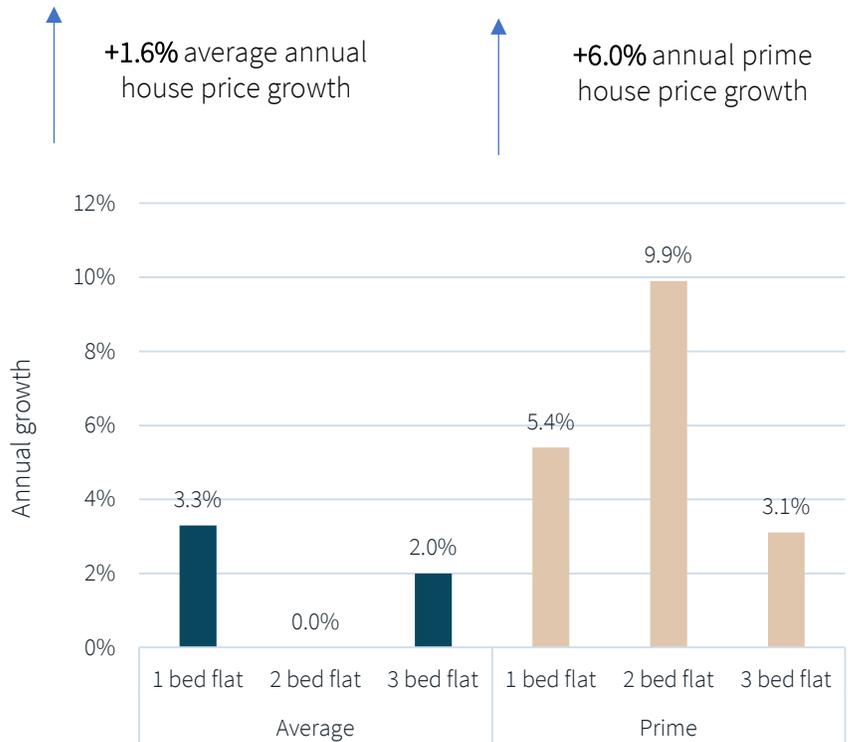


Employment
2012 – 2022: +33.1%
2022 – 2032: +14.3%

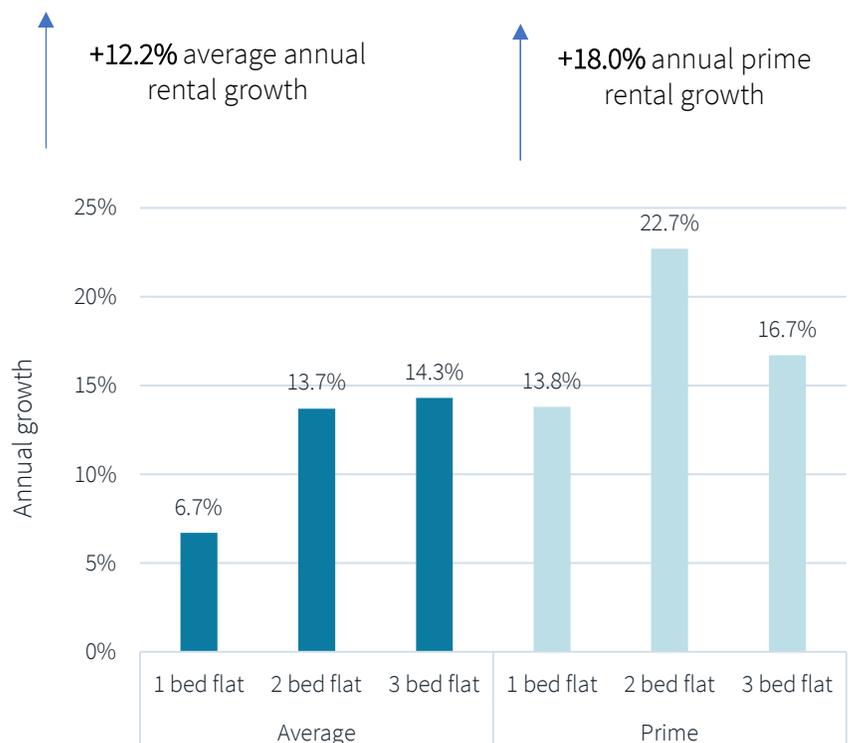


Working Population (16-65)
2012 – 2022: + 8%
2022 – 2032: +2%

Manchester - Pricing



Manchester - Rents



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About JLL Research

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JLL's Residential and Living team consists of over 300 professionals who provide a comprehensive end-to-end service across all residential property types, including social housing, private residential, build to rent, co-living, later living, healthcare and student housing.

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