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UK City Centre Forecasts

UK Living Research | 2020

Engines for Growth

The UK's seven largest regional economies are hugely important to the prosperity of the UK.

This report demonstrates that the city centre residential markets within these regions are all thriving and showing numerous signs of positive growth.

Together the big seven regional UK cities account for 17.5% of UK GDP.

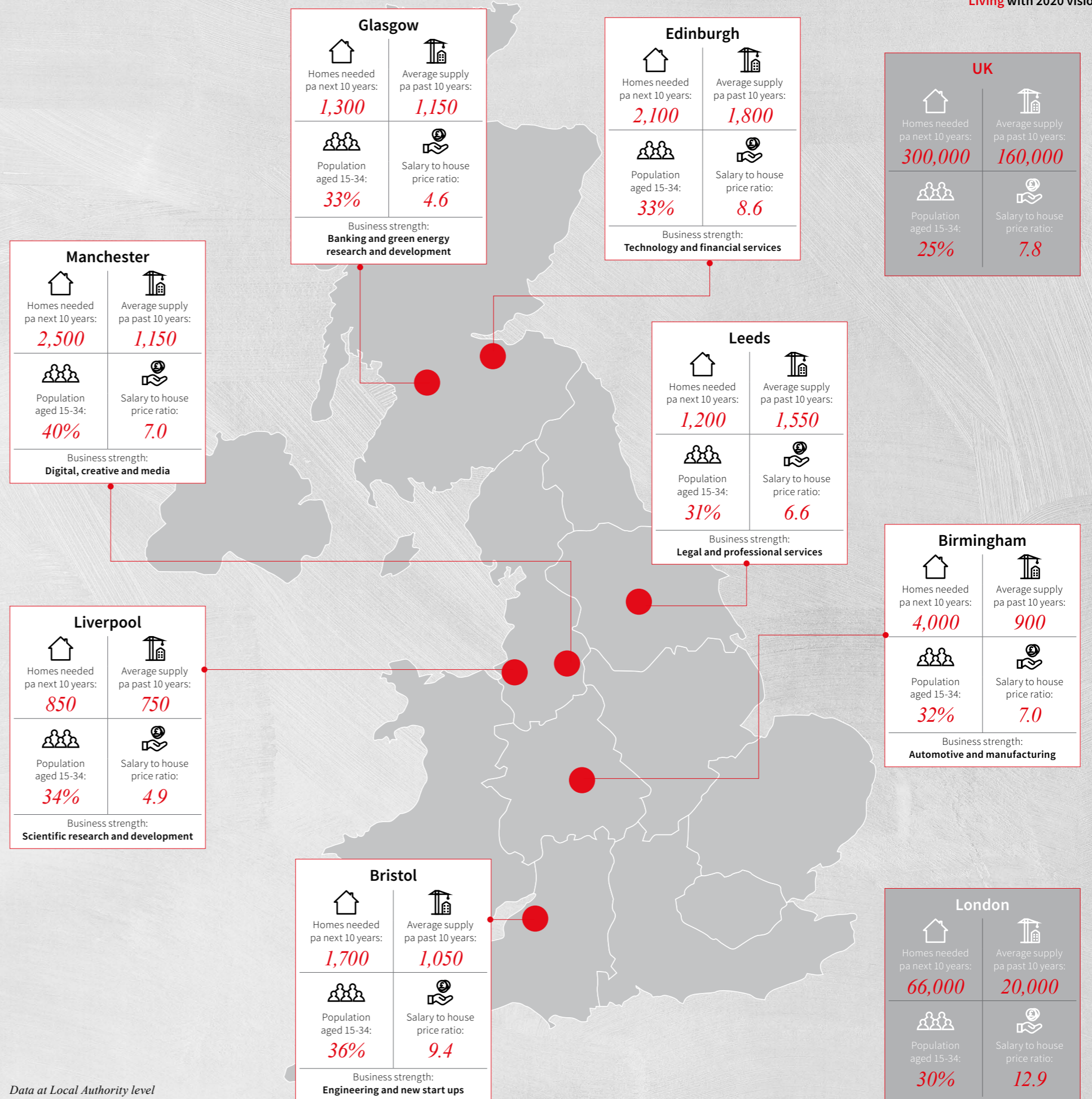
Their average GDP per capita is £32,500pa, 6.6% above the UK average. Such is their significance that the Government has identified these cities as engines of growth to boost the performance of the UK economy as a whole.

The UK2070 Commission, chaired by Lord Kerslake, has set out seven national priorities to pump prime these regional economies. At the heart of the action plan is accelerating devolution and encouraging the creation of major specialist regional employment hubs.

JLL has identified existing business strengths in each of the major regional cities. These strengths are outlined on the map on this page demonstrating that each city is starting from a strong position to encourage growth in a particular sector. But growing these employment hubs should be used as a way to facilitate growth in other sectors in each of the cities.

The regional cities are already attracting proportionally higher levels of students and young professionals than London, as the map shows.

If the regional giants can do more to retain talent by growing their respective employment hubs, all of them boast fundamental living advantages over the UK Capital – not least, they are all significantly more affordable places to buy a home. Their ability to offer a more balanced live-work package could just be their major trump card for their future growth.



Data at Local Authority level

Source: JLL, Oxford Economics, MHCLG, CACI, ASHE, Land Registry

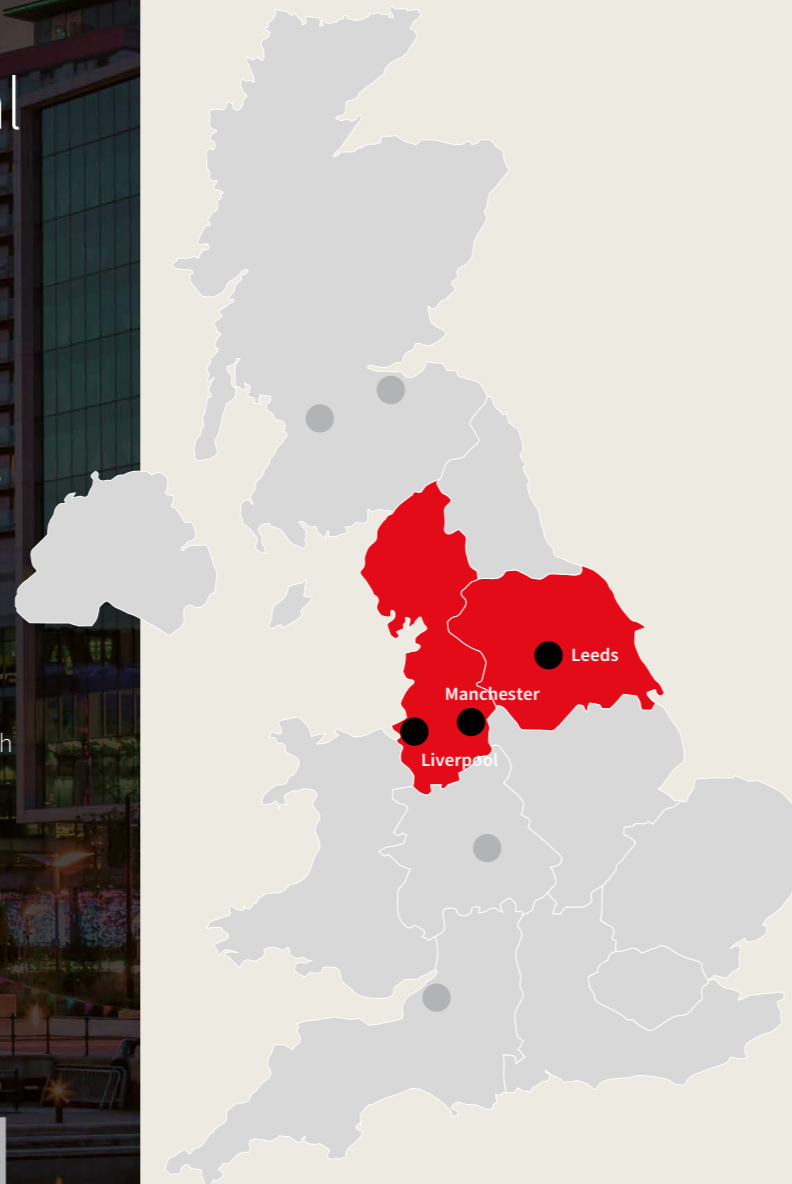
Northern England

Economic and residential performance

- The economies of the North West and Yorkshire & the Humber will be two of the strongest performing economies in the UK over the next five years.
- The region's key cities are forecast to be the main drivers of this outperformance.
- The Northern Powerhouse Government initiative will support this expansion with further stimuli expected to be announced.
- 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. Leeds and Liverpool face individual issues that are likely to dampen price and rental growth over the next few years.

Economic and demographic forecasts (2020-2024 % change pa)

	GVA growth	Employment growth	Population growth
Manchester	2.7	1.3	1.1
Leeds	2.3	0.8	0.4
Liverpool	2.1	0.7	0.4



Manchester

- 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.
- The five year sales price forecast is notably higher than the UK average and the highest forecast of any UK city. The forecast would be higher but for the strong supply side story.
- Price growth was subdued in 2019, mainly the result of several schemes completing.
- The delivery of private for sale units will slow over the next three years, providing support for higher sales prices.
- Several multifamily (build to rent) developments will complete over the next two years, providing an exciting array of rental units.
- We expect rents to rise strongly over the next five years, reflecting both heightened demand and better quality stock.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£257k (0.8%)	4.25% (4.25-4.50%)	£1,145 (0.9%)	17.1%	16.5%

Liverpool

- Liverpool will continue to benefit from robust economic and population growth, albeit more modest than Manchester.
- The city centre is constantly improving with owner-occupiers, investors, renters and developers buying into a modern, trendy and progressive city.
- High quality stock is in short supply in the city centre, particularly for owner-occupiers.
- Institutional investment in the residential sector is gathering pace with three large institutionally funded multifamily (build to rent) schemes currently under construction.
- We expect sales price growth and rental growth to be reasonably strong and steady over the next five years.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£195k (0.0%)	4.75% (4.75 to 5.00%)	£1,000 (0.0%)	13.1%	14.8%

Leeds

- The Leeds economy is predicted to grow very strongly over the medium-term although the population is expected to increase only modestly.
- The longer-term outlook is looking brighter now that HS2 has been given the go-ahead by the new Conservative Government, although the route to Leeds could still be some way away.
- Re-sales price growth was strong during 2019, mainly driven by a lack of available new property to buy.
- Sales price growth is expected to be modest over the next two years before bouncing back strongly from 2022 onwards. Rental growth will be consistent with multifamily (build to rent) schemes being delivered.
- There are a few multifamily schemes in the development pipeline in the city centre which will help to push rents for the whole market higher.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£190k (5.6%)	4.35% (4.25-4.50%)	£895 (0.0%)	13.7%	14.2%

Source: JLL, Oxford Economics.
Note: Sales price and rental growth, both historic and forecast, is for new-build and modern stock.

Scotland

Economic and residential performance

- The Scottish economy is expected to grow by 1.9% pa over the next five years.
- Both Glasgow and Edinburgh are forecast to see considerably higher economic expansion compared with the Scotland average in the medium-term.
- Urbanisation is a growing trend in Scotland's two largest cities. This will help fuel further residential development but is unlikely to satisfy escalating demand.

Economic and demographic forecasts (2020-2024 % change pa)

	GVA growth	Employment growth	Population growth
Edinburgh	2.4	1.1	0.9
Glasgow	2.4	0.9	0.3



Edinburgh

- The population of Edinburgh is forecast to increase by 25,000 people over the next five years alone, one of the highest expansion rates of any UK city.
- The economy is also expected to grow strongly.
- Sales prices across the city increased steadily during 2019, rising by 3.5% with a lack of available supply being the key driver.
- The development market has been active in recent years, pursuing a range of new-build city centre apartment opportunities across the multifamily (build to rent) and private for-sale markets, despite increased competition from alternative land uses, especially from the student sector.
- Volume housebuilding around the City Bypass continues at great pace with attention now switching to the West Edinburgh greenfield suburbs. Meanwhile, Leith has seen a significant increase in development activity as a result of the popularity of the area and constrained land supply in the city centre.
- We forecast that sale prices will rise by 17.1% over the next five years – the joint highest growth rate of any UK city.
- Despite plenty of multifamily development interest, very little purpose-built rental product has been delivered to date. However, there are a number of low-rise schemes in the development pipeline.
- We expect rental growth will also be strong over the medium-term as living in Edinburgh city centre grows in popularity.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£295k (3.5%)	4.35% (4.25-4.50%)	£1,050 (5.0%)	17.1%	15.4%

Glasgow

- The Glasgow economy is set to grow as strongly as Edinburgh's over the next five years.
- Glasgow now has a strong city centre pipeline for residential with interest and activity at its highest level for years. This is reflected in a recent Glasgow City Council commitment to double the core city centre population by 2030.
- We expect sales prices to rise faster than the Scotland average over the next five years, rising by 15.4% during this time.
- With circa 4,000 purpose built rental homes in the pipeline, multifamily schemes are currently the focus for investors and operators due to favourable demographics coupled with a strong economic background.
- We forecast that rents will rise by 13.7% over the next five years as the demand for city centre living in Glasgow increases further.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£230k (1.8%)	4.75% (4.75-5.00%)	£860 (2.4%)	15.4%	13.7%

Source: JLL, Oxford Economics.
Note: Sales price and rental growth, both historic and forecast, is for new-build and modern stock.

West Midlands & South West

Economic and residential performance

- The West Midlands and South West economies are forecast to expand by 2.0% pa over the next five years – only to be outpaced by London, South East and Eastern regions.
- The region's largest cities, Bristol and Birmingham, are predicted to see their economic growth outpace the regional averages.
- HS2 is already impacting Birmingham, raising its profile in residential and business terms. This will improve further as the opening of the line nears.
- Bristol and Birmingham are expected to witness two of the strongest rates of sales price and rental growth of any UK city over the next five years.

Economic and demographic forecasts (2020-2024 % change pa)

	GVA growth	Employment growth	Population growth
Bristol	2.5	1.1	0.8
Birmingham	2.2	0.9	0.8
Exeter	2.3	1.0	1.1
Plymouth	1.6	0.2	0.1



Source: JLL, Oxford Economics.
Note: Sales price and rental growth, both historic and forecast, is for new-build and modern stock.

Birmingham

- Birmingham is expected to grow strongly in economic and demographic terms over the next five years.
- Urban living has taken hold in the city centre in recent years and is expected to grow further. This has been aided by enhanced public transport at Grand Central, with further improvements when HS2 arrives.
- There is an exciting and active development pipeline which will help drive prices further still over the coming years.
- There has been little new multifamily (build to rent) development to date. There are two schemes under construction with more to follow in the medium-term, helping to absorb the increasingly strong rental demand.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£250k (8.7%)	4.25% (4.25-4.50%)	£1,000 (5.3%)	16.5%	15.9%

Bristol

- Bristol's economy is set to grow faster than any UK city, with the exception of Manchester, over the next five years.
- There is very little build for sale development in the city centre as a result of high land values and competition from other uses.
- Bristol's first coliving scheme now has planning permission.
- The multifamily (build to rent) sector continues to grow with several developments under construction, including the city's tallest tower.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£305k (5.6%)	4.00% (4.00-4.25%)	£1,325 (3.9%)	17.0%	15.9%

Exeter

- Despite being by far the smallest of the UK cities analysed, the economic and demographic outlook is extremely positive.
- However, very few homes have been built in the city centre in recent years while the projects currently in the pipeline are taking time to materialise. Most of the development activity has been on the city outskirts.
- The lack of development will support prices and rents to some extent, but it will also stymie the potential for new product to drive values notably higher.
- There have been no multifamily (build to rent) developments in recent years and few in the development pipeline.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£240k (2.1%)	4.65% (4.50-4.75%)	£950 (0.0%)	14.2%	13.7%

Plymouth

- Plymouth's economy and population are forecast to grow only modestly over the next five years.
- The 400 year Mayflower anniversary celebrations are expected to raise the profile of the city and could lift sales price and rental growth during 2020 and 2021 in particular.
- There has been a reasonable amount of development in recent years, predominantly focused around Plymouth's waterfront.
- There have been no multifamily (build to rent) developments but with city centre rental demand high, there may be some planning applications in the near future.

Average sales price (2019 % change) 2 bedroom flat	Average multifamily net yield (typical yield range)	Average rent £pcm (2019 % change) 2 bedroom flat	Sales price growth forecast (cumulative, next 5 years)	Rental growth forecast (cumulative, next 5 years)
£230k (4.5%)	4.75% (4.75-5.00%)	£850 (0.0%)	15.9%	14.8%

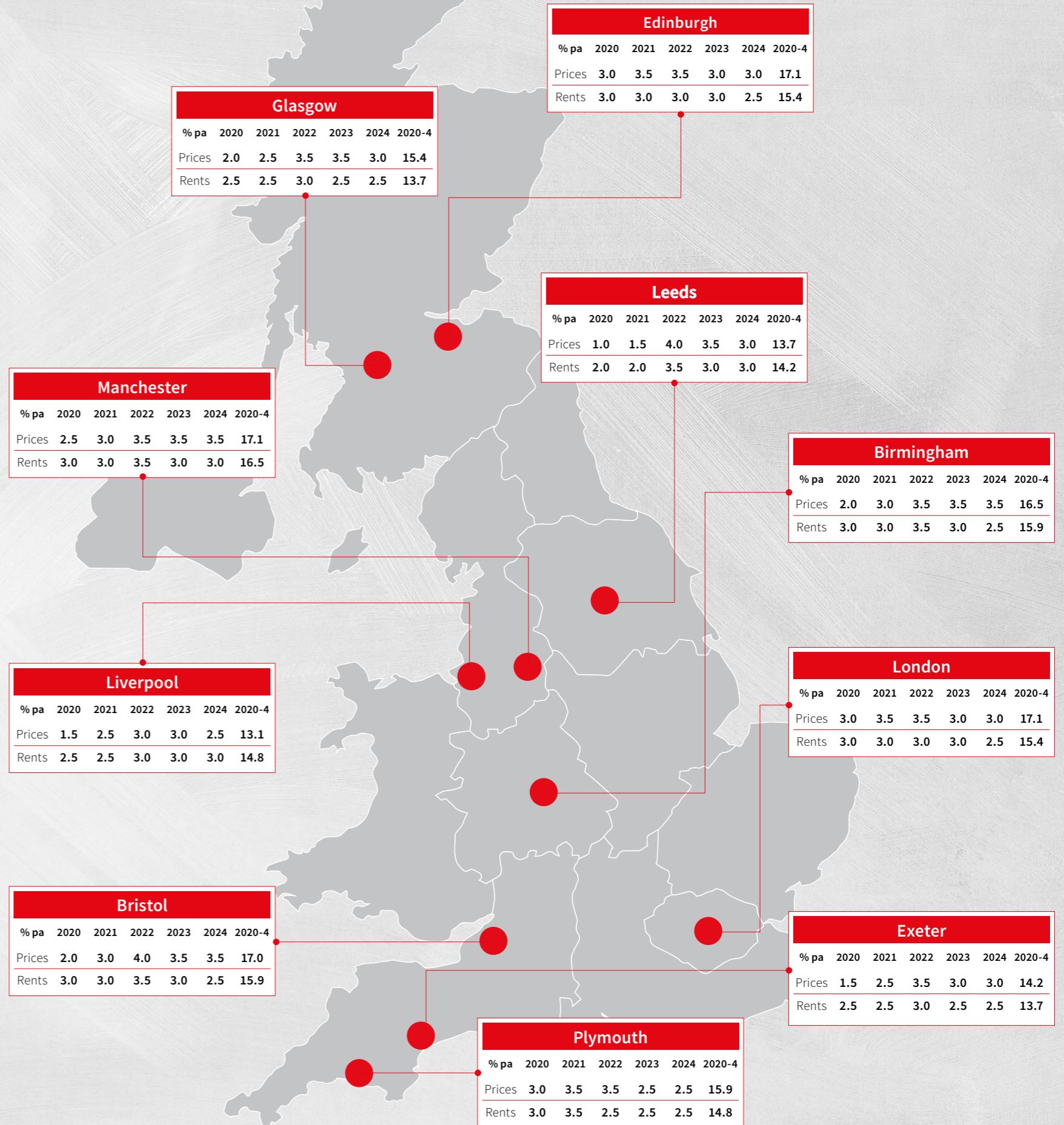
UK city centre forecasts

UK housing market forecast rationale

- UK housing market sentiment will brighten during 2020 as the Brexit effect diminishes.
- Greater economic and political certainty will fuel higher price growth and transactions, which will gather momentum in 2021 and 2022.
- A pick-up in housing starts will take longer to embed as housebuilders wait for greater certainty in housing market prospects to be established before embarking on new building.
- A positive consumer sector, strong real wage growth and a largely robust jobs market will all help drive an improving and more active UK housing market.

UK and regional sales price growth forecasts

(% pa)	2020	2021	2022	2023	2024	2020-4
UK	1.0	2.5	4.0	3.5	3.0	14.8
Greater London	1.0	2.5	4.5	4.5	3.5	17.0
South East	0.5	2.5	4.0	4.0	3.0	14.8
East of England	0.5	3.0	4.5	4.0	3.5	16.4
South West	1.0	2.5	4.0	3.5	3.5	15.3
East Midlands	0.5	2.5	3.5	3.5	3.5	14.2
West Midlands	0.5	2.0	3.0	3.0	3.0	12.0
Yorkshire & The Humber	1.5	3.0	3.5	3.5	3.0	15.4
North West	1.5	3.0	4.0	3.5	3.5	16.5
North East	0.0	3.0	2.5	2.0	2.0	9.8
Wales	0.5	2.0	3.0	3.0	2.5	11.5
Scotland	2.0	2.0	3.5	3.0	3.0	14.2



Source: JLL



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