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Northern England 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.

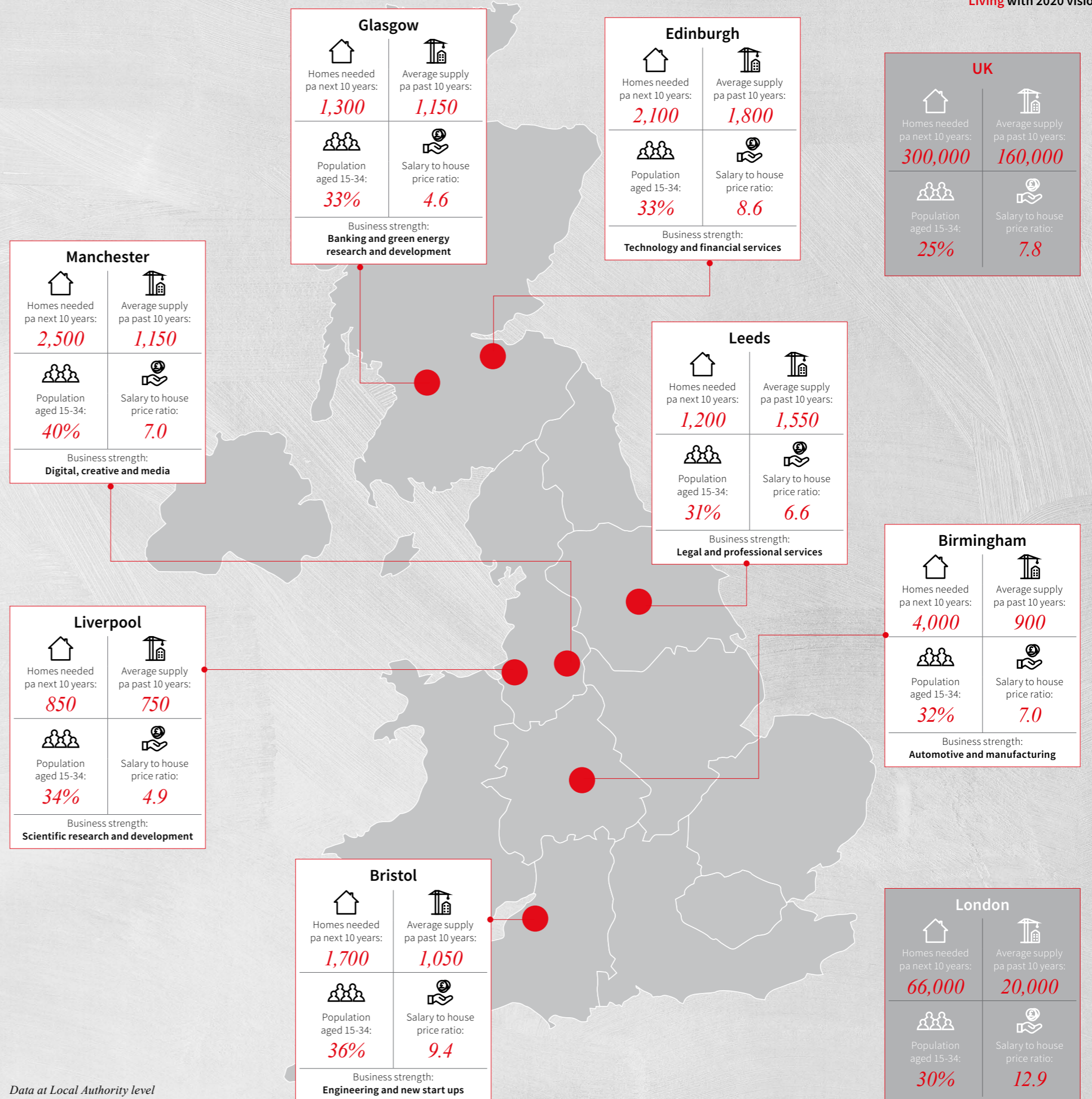
Their average GDP per capita is £32,500pa, 6.6% above the UK average. Such is their significance that the Government has identified these cities as engines of growth to boost the performance of the UK economy as a whole.

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

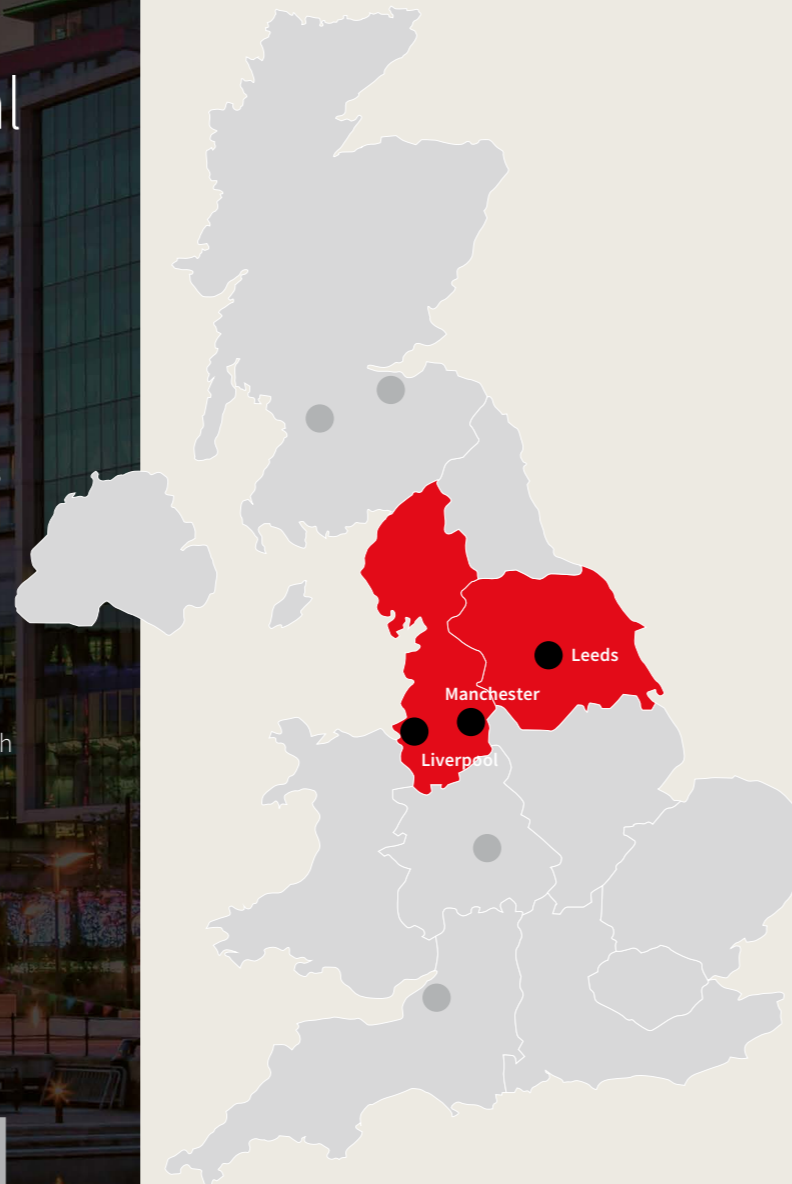
Northern England

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%

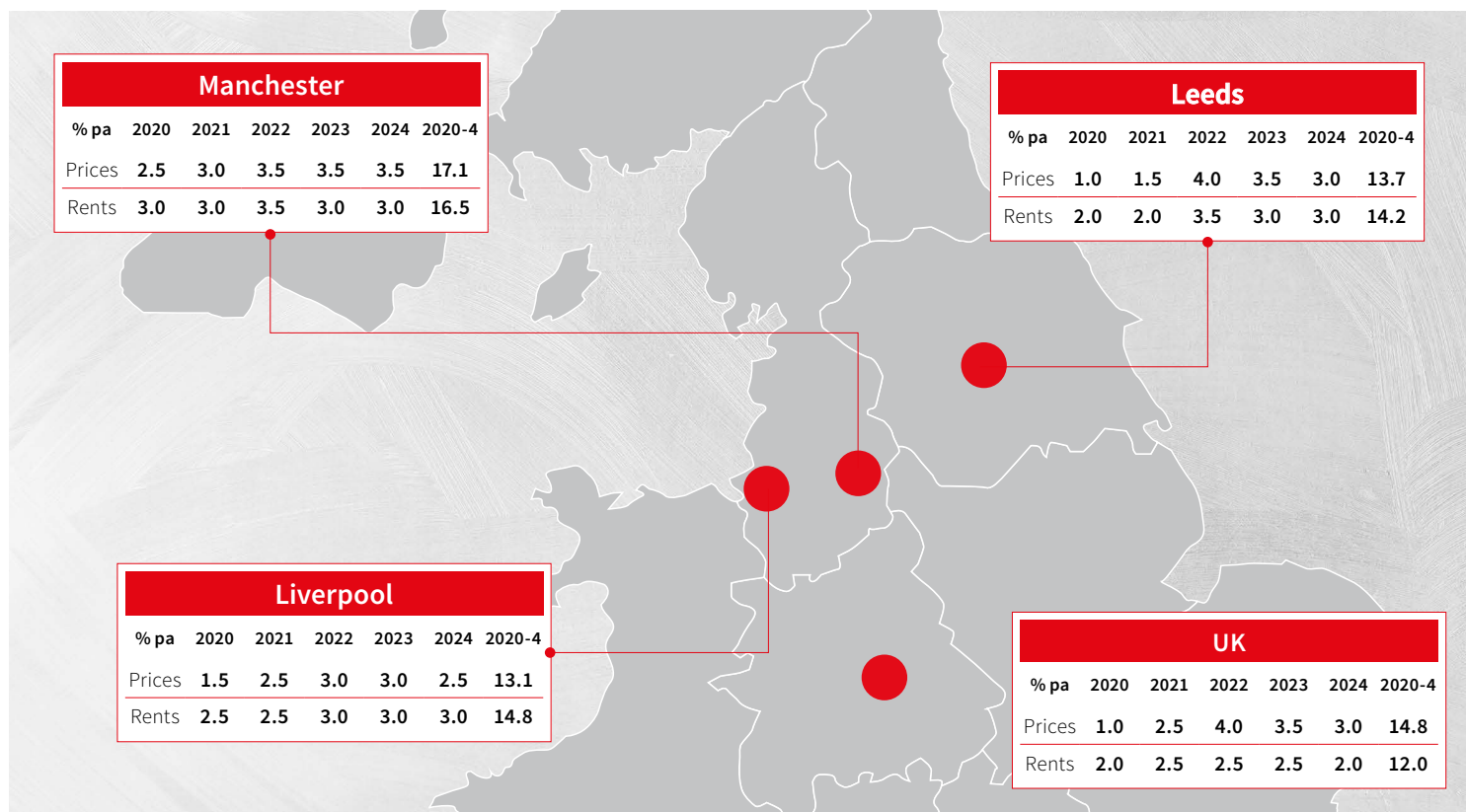
Leeds

- 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.

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