

MANCHESTER

INVESTMENT GUIDE



Introduction

2020 has been a year like no other. Unprecedented and turbulent – a year where the entire world has been brought to a standstill. Pandemic disruption caused by COVID-19 has undoubtedly impacted the UK residential market and will, of course, take time to recover.

Nevertheless, with signs of a rise in demand just days after lockdown and financial incentives set by the government to stimulate and strengthen the economy, the future of UK housing is once again looking set for growth.

At Salboy, we have the supply ready to meet growing demand and we are ready and on track to provide investors with first-class, quality accommodation in Manchester and Salford, offering an attractive return on their investments.

Impact of COVID-19

Short Term Opportunity

5-10%

Predicted decrease in property prices until the end of the year

28%

Of people not planning to move entering the market

2.4%

Increase in home prices since pre-covid lockdown in March

Transaction activity has naturally fallen due to Covid-19. A report produced by Savills on 16 June, 2020 suggests that property prices are predicted to decrease by 5-10% until the end of the year. However, the lockdown period has proved that living within a quality environment is more important than ever and that a house or apartment should provide many different functions from home office working to socialising space.

As a result, people have been feeling unsatisfied with their current homes and enquiries have increased across the UK throughout the lockdown period with property marketing website, Right Move, stating that over a quarter of people (28%) who were not planning a move before lockdown are now entering the market.

In addition, UK Government incentives have driven a significant increase in enquiries with Rightmove announcing that a mini housing market boom was gathering pace after the recent Stamp Duty Land Tax (SDLT) holiday announcement.

Rightmove also said that prices sought by home sellers between June 7 and July 11 rose by an annual 3.7%, hitting a record high average of £312,625. Prices were 2.4% higher than before the coronavirus lockdown began in March.



Who benefits from SDLT?

If a buyer or investor purchases a residential property between 8 July 2020 to 31 March 2021, they will only start to pay SDLT on the amount they paid for the property above £500,000. These rates apply whether they are buying their first home or have owned property before, which is important for the investment market.

Property or lease premium or transfer value	SDLT rate
Up to £500,000	Zero
The next £425,000 (the portion from £500,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

3% on top of SDLT rates if buying a new residential property that is not your main residence. This is guidance only, please seek professional tax advice for personal circumstances.

www.gov.uk/guidance/stamp-duty-land-tax-temporary-reduced-rates.

Interest and Currency Rates

Because of the ongoing health crisis, UK interest rates are at an all-time low, making mortgage borrowing much more affordable.

In addition to this, the pound is currently low against the dollar, which has been exacerbated by recent events. For Asian investors in particular, the conditions are attractive on many levels for property investment in the UK meaning investors can get even more value for money when investing in UK property.

Impact of COVID-19

Long Term Outlook

13.6%

Increase in rental prices by 2024

24.1%

Increase in residential property prices

0.1%

Bank of England base rate will remain until Q2 in 2022

Rents

Savills reported that rental values have shown more resilience than capital values during the downturn with rents falling just -2% following the Global Financial Crisis (GFC), whereas house prices fell -18%.

It predicts that rents will also remain relatively resilient in the coming months and years based on its forecasts from November 2019 on rents continuing to rise in line with income growth.

Revised income growth forecasts from Oxford Economics, suggests we are likely to see rents rise 13.6% by the end of 2024, slightly lower than the 15.4% growth predicted previously.

Taking this together with its price forecasts, it suggests rental yields will be slightly lower in 2024 relative to today, in line with lower interest rate expectations. However, yields will fluctuate over the short term. This could create attractive opportunities for investors willing to hold for the long term.

Mainstream residential price forecasts

	2021	2022	2023	2024	5 year
North West	8.5%	9.0%	7.0%	6.0%	24.1%
Yorkshire & The Humber	3.0%	10.0%	8.0%	7.0%	21.1%
Scotland	7.0%	8.5%	6.0%	5.5%	20.1%
North East	2.0%	10.0%	8.0%	7.0%	19.9%
East Midlands	7.0%	7.5%	5.5%	5.5%	18.4%
West Midlands	2.0%	10.0%	7.0%	6.5%	18.4%
Wales	2.0%	10.0%	7.0%	6.0%	17.7%
South West	3.0%	8.0%	5.5%	4.0%	12.9%
South East and East	8.0%	5.5%	2.5%	2.5%	10.7%
London	6.0%	3.0%	1.5%	1.5%	4.0%
UK	5.0%	8.0%	5.0%	4.5%	15.1%

Savills



North West leading the way in five year growth forecast. Savills' report reviews its autumn 2019 five-year residential price forecast. The forecasts for 2025 remain unchanged; however, specific changes have been made to the year on year growth pattern, demonstrating that the North West of England is expected to lead the way with a 24.1% increase in residential property prices over the five year period.

Oxford Economics estimates that the Bank of England base rate will remain at just 0.1% until Q2 in 2022. The rate is then expected to rise gradually. This could entice more people within 18 months to take the plunge and buy a home, especially in areas with strong price growth potential like the North West.

London Vs The North

Before the pandemic, investors (when looking at property investment opportunities in the UK) were likely to consider Central London or one of the UK's city regions, in particular the North West.

Recent studies have proved that despite its bright lights, hustle, bustle, heritage and majestic grandeur – Central London is showing the UK's slowest level of growth over a five-year period.

Indeed, over the past 24 months Manchester has further cemented its position as the most attractive city centre residential investment market in the UK. Despite national and global turbulence, Manchester's momentum has continued to grow and is forecast to continue on an upward rise up to 2022.

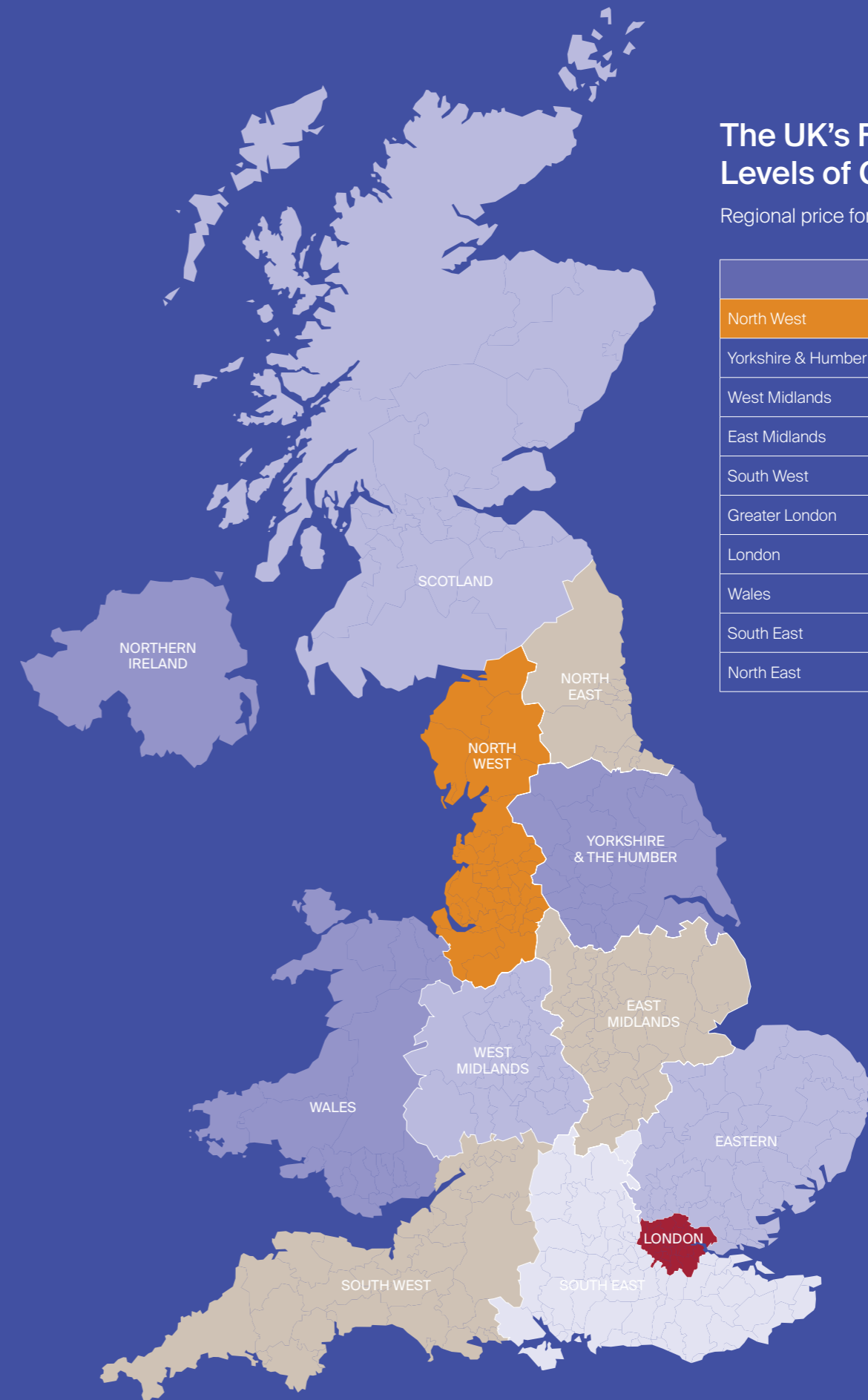
House price growth % pa	2018	2019	2020	2021	2022	2018-22*
Manchester	6.5	4	3.5	3.5	3.5	22.8
Liverpool	4	3	3.5	3.5	3.5	19.3
Leeds	3.5	4	3.5	3.5	4	19.9
UK	1	2	2	3	3	12.6

Rental growth % pa	2018	2019	2020	2021	2022	2018-22*
Manchester	3.5	3	3	3.5	3.5	17.6
Liverpool	3.5	3	3	3.5	3.5	17.6
Leeds	3.5	4	3.5	3.5	3	18.8
UK	2	2.5	2.5	2.5	2.5	12.6

The UK's Fastest Levels of Growth

Regional price forecasts

	2020	5 year
North West	+2.5%	+24.0%
Yorkshire & Humber	+2.0%	+21.6%
West Midlands	+3.0%	+18.2%
East Midlands	+3.0%	+18.2%
South West	+0.5%	+13.1%
Greater London	0.0%	+10.9%
London	+2.0%	+19.9%
Wales	+2.0%	+18.1%
South East	0.0%	+10.9%
North East	+1.5%	+19.9%



In 2019, the Office of National Statistics revealed that Manchester's population grew faster than any other English city in the year to summer 2019

552,858

Manchester Population
in 2019

£7bn

Government pledge
to invest into Northern
Powerhouse infrastructure

The data revealed that the City of Manchester's population rose by an additional 5,231 people between 2018 and 2019, giving it a new population of 552,858. The city breached half a million people in 2011 and is due to hit 600,000 by the middle of this decade. This makes Manchester the England's fastest growing city. This growth, supported by a rising population of more than 2.8 million people in the Greater Manchester conurbation, demonstrates how Manchester's housing demand continues to outstrip supply and its lower cost of living is one of the main reasons why people choose to move here from the capital.



Students, Alumni, young professionals and young couples are more and more looking for a life which can provide everything they need on their doorstep and they are flocking to Manchester in order to experience what the city has to offer.

Over the past decade, the Greater Manchester region has benefitted from a multi-billion-pound injection of public / private sector investment for business and infrastructure and continues to boast the UK's largest regional Airport with connections to over 200 countries worldwide. The government's pledge to invest a further £7 billion into Northern Powerhouse infrastructure proves that Manchester is ready and waiting to unlock that investment and to continue to underpin Manchester's reputation as a global city.

Why Salford?

4,426

Population growth in Salford between 2018 and 2019



Relocation of the BBC and ITV studios

A recent surge of regeneration and financial investment in Salford has seen investment opportunists looking to Manchester's desirable neighbour for their next purchase.

Indeed, the ONS revealed in 2019 that England's second-fastest growing city is in fact Salford and grew by 4,426 people between 2018 and 2019.

Over the past few years, the city has seen a new calibre of businesses taking residence in the city, increasing employment levels and acting as a catalyst for new, exciting property developments either completed or now under construction thanks to several multi-million-pound regeneration schemes.

Salford Quays and MediaCityUK, together with a first-class university and upcoming student district all serve as the city's main attractions, which understandably makes it one of the more desirable districts for tenants and investors.

Salford is a popular place to live for the younger, digital focussed renter – from the initial relocation of the BBC and ITV studios, many employees chose to move up from London and found themselves a home in Salford, thus leading to significant uplift in demand.



About Salboy

At Salboy we have a strong, proven track record for delivering quality, first-class developments without compromise. With a strong financial backing, we have delivered over 2,400 homes and have created over 3,500 jobs through doing so. Our goal is always to develop for the long term – astutely, sensitively, and with a sense of social purpose – delivering the homes and workspace that our UK cities so desperately need. Because of approach, we boast higher occupancy levels than other developments and, despite the pandemic, we have seen consistency in our rental rates throughout 2020.

We are North West based and we invest our own money, time and resources into large scale developments in particular, in Manchester and Salford. We believe that these cities have what it takes to provide truly unique places for people to live, work and play. We have confidence that both cities will come back from this downturn stronger than ever with a true and determined Mancunian and Salfordian spirit.

3,500

Jobs created

2,400

Homes delivered





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