

ALLIANCE
**CITY
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Introduction

Growth in rent stalls in Q2 2023 as Cost of Living Rises, despite a supply shortage

We're still grappling with a rental supply shortage in Manchester, with limited city centre homes available, although rental growth has started to slow down over the past six months. The city's rental market is still under the shadows of the Covid-19 induced supply crisis, which has curtailed letting activity through the first half of 2023.

Despite a rise of 11% over advertised rental values back in June 2022, the past quarter saw rental values across the board dip slightly by 2.5%. That said, it's important to remember that the most common types of rentals - 1 and 2 bed apartments, which make up over 90% of all apartments, have seen a steady increase, with a 1.5% and 1.6% rise respectively.

Turning our eyes towards the BTR sector, average rents are now 13% above the market average for all types of rentals. However, it's a reduction from January 2023 when it was at 21%. In 2023, we're looking forward to 1,423 BTR homes and around 4,920 homes in total hitting the market.



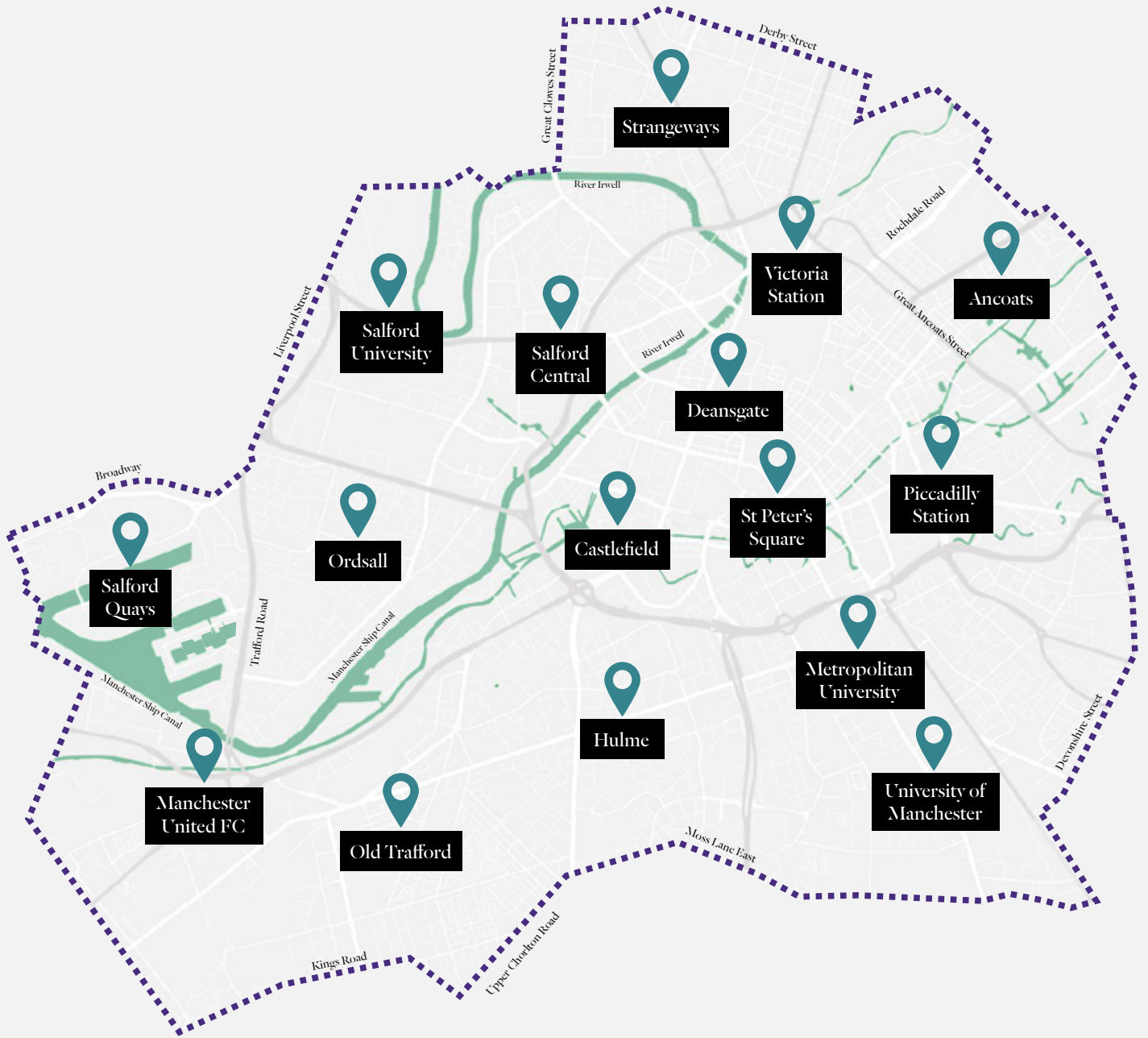
Area covered by this report

Our coverage for this report is based on the map shown opposite. It defines what we describe as central Manchester and includes nearby areas including Ancoats, Hulme, Ardwick, and Strangeways, as well as central parts of the neighbouring boroughs of Salford and Trafford.

When we mention "Manchester" or "central Manchester" in this report, it's this area we're referring to. It's home to most of Manchester's key business, leisure and tourism hotspots – places like Spinningfields, the Northern Quarter, Deansgate, the Arndale, and all four central Manchester universities: Salford, Manchester Met, the University of Manchester, and the Royal Northern College of Music.

Certain areas, like the city centre and Salford Quays, have enjoyed successful urban regeneration for years, while others such as Ordsall and Old Trafford are only starting to feel the effects of the city centre's expansion.







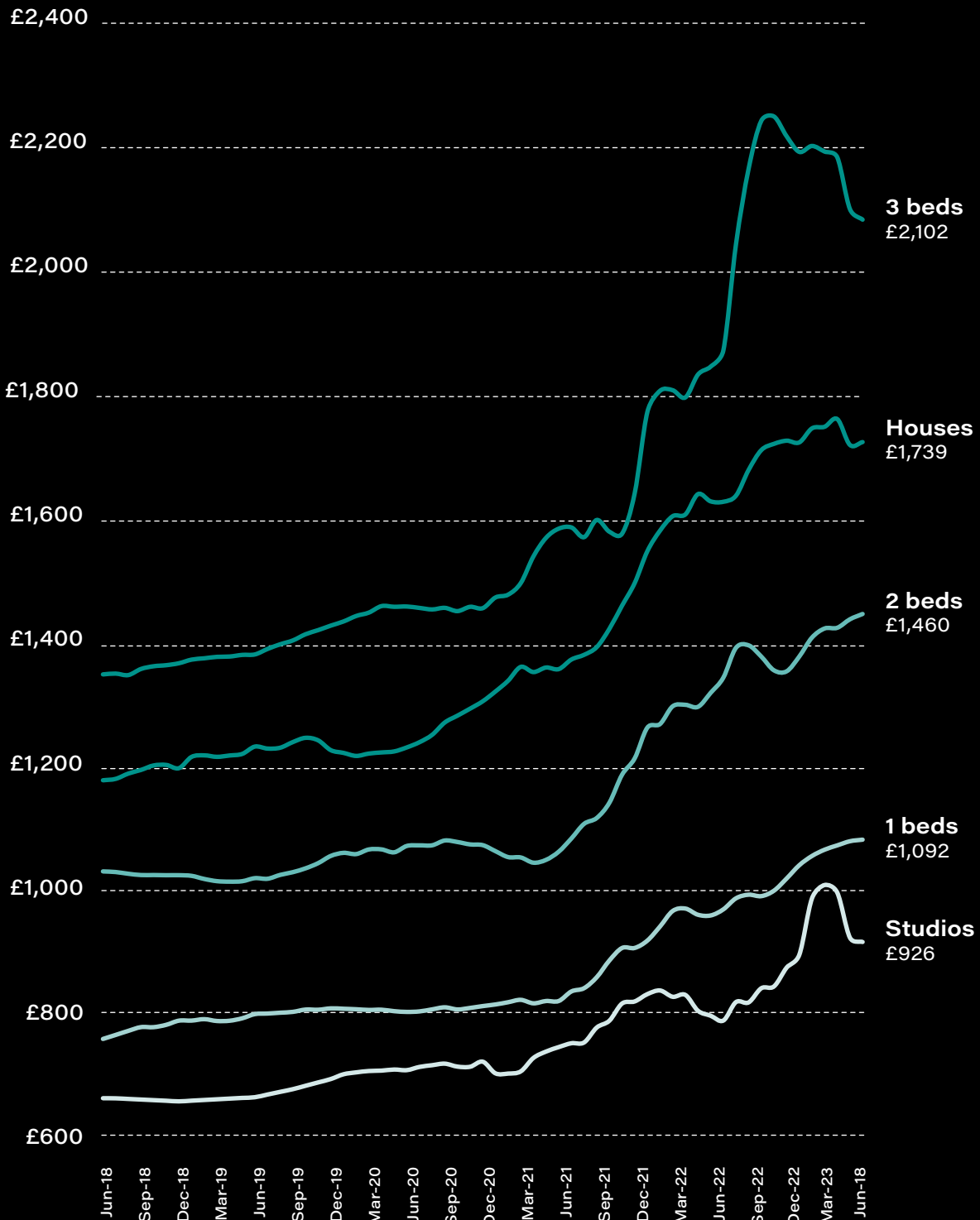
The Manchester Rental Trend (Rents PCM)

Chart 1A gives you a snapshot of the asking rents across the Central Manchester market for each type of unit over the past five years. Over the past three months, average rents have dropped by 9.1% for studios and 5% for 3 beds, reaching £926 pcm and £2,102 respectively. 2 and 3 bed houses also saw a decline of 1.4% to £1,739. However, 1 and 2 bedroom apartments saw marginal growth at 1.5% and 1.6% respectively, with 1 bed apartments now averaging at £1,092 pcm and 2 beds at £1,460 pcm. This indicates a slowdown or plateau in comparison to the annual trend.

Over the entire year from June 2022, studios grew by 14.9%, 1 beds by 12.7%, 2 beds by 9.6%, and 3 beds by 12.8%, with houses seeing a growth of 5.9%.

Chart 1A

Five year rental trend, Manchester (rents £pcm)





New listings compared to lets

Chart 1B illustrates the number of homes let in Manchester monthly since January 2020. The donut chart 1C compares the types of properties listed during that period with those listed in Q2 2023, the most recent quarter.

In Q2 2023, Manchester saw 1,678 homes let, a 31% increase from Q1 2023. This is 10% fewer than the number of properties let during Q2 2022, and 42% less than Q2 2021. The increase in rental prices, coupled with a decrease in supply, is likely the reason behind this.

As chart 1D shows, there are far fewer properties available for rent in Manchester now than there were in 2020 and 2021, despite a probable increase in demand. Rental homes that do become available are snapped up in no time, sometimes within hours. As a result, both asking and achieved rents are on the rise.

Number of properties let in Manchester each month

Chart 1B

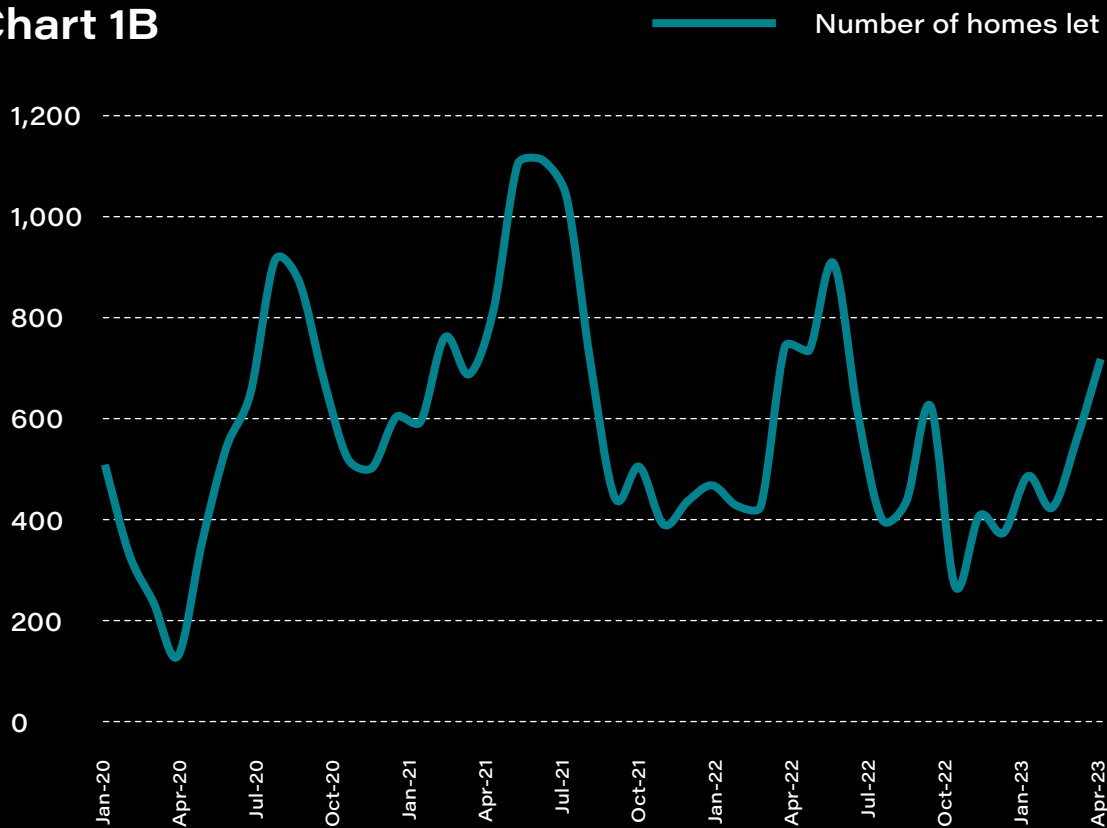
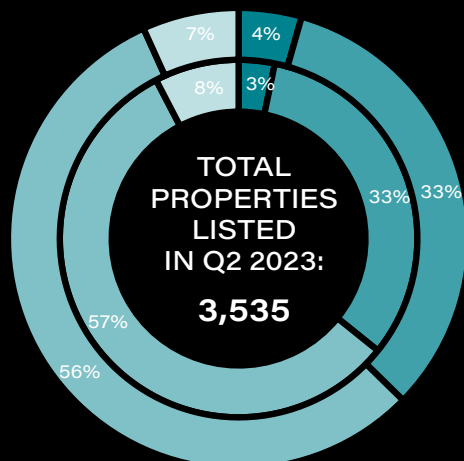


Chart 1C



Unit type of properties listed on the Manchester market

INNER: Q2 2023
 OUTER: All since Jan 2020



Available properties on the market

Chart 1D details the number of apartments available on the market at the end of each month, broken down by unit type. This is the total number of properties a potential renter would find if they started their hunt for a rental place in the city today. The supply crisis which began post-pandemic still affects Manchester's recovery in 2023, hindering letting activity.

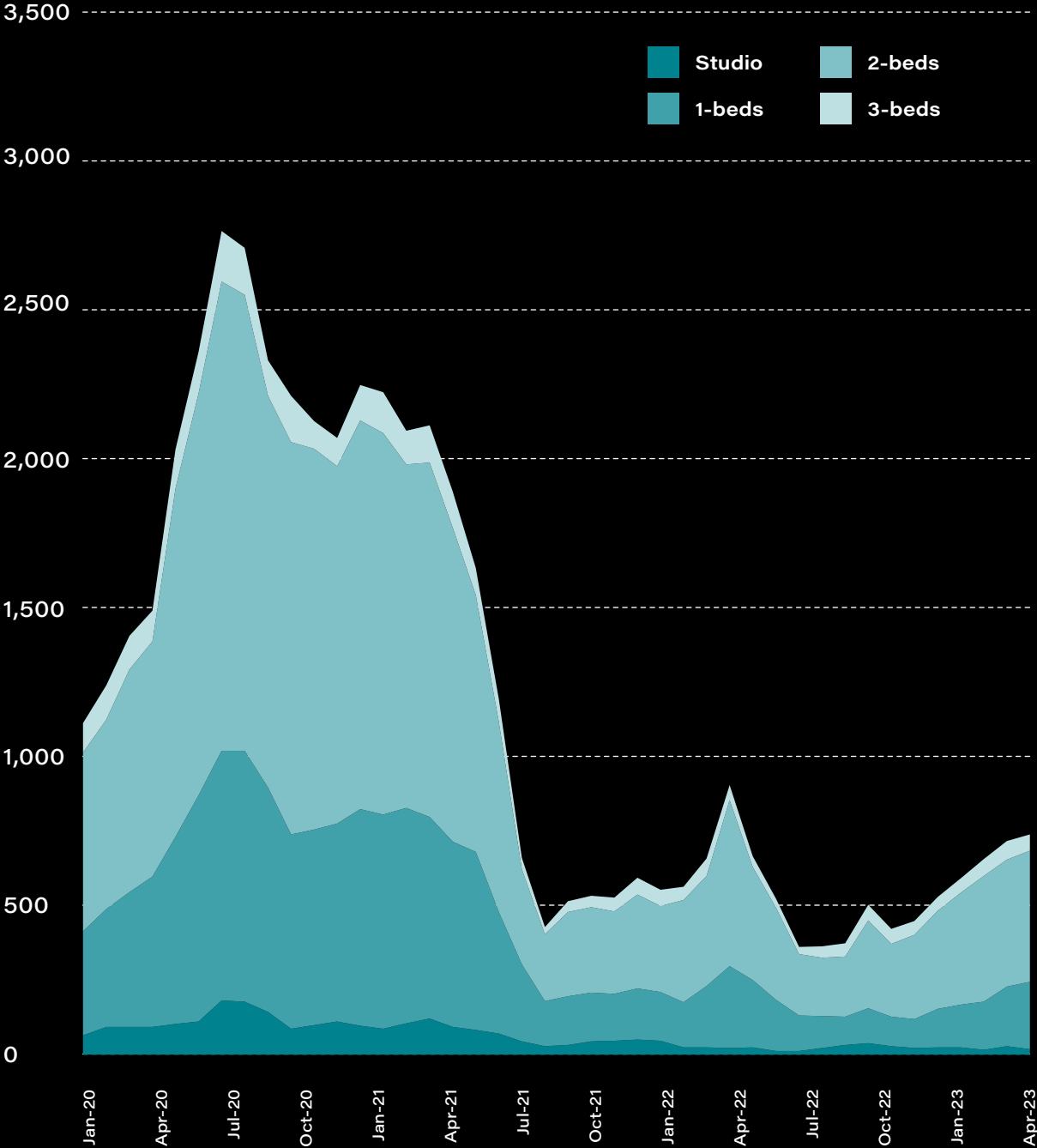
At the end of June 2023, there were 736 apartments ready for rent in Manchester, which is an improvement from the all-time low at the end of August 2022 (360), but still a far cry from the 2,240 and 2,351 properties available in March of 2021 and 2020, respectively. This is, however, an uptick from the 664 properties available in June 2022. Rental home availability saw a surge during the pandemic as tenants left the city, but the tables turned dramatically once restrictions lifted, with people flocking back to city life and some relocating to Manchester for the first time.

As of June 2023, the Central Manchester market had 18 studios, 226 1 beds, 439 2 beds, and 53 3 bed apartments ready for rent. In terms of proportion, that's 2.4% studios, 30.7% 1 beds, 59.6% 2 beds and 7.2% 3 beds.



Number of properties available on the Manchester market per month arranged by unit type

Chart 1D



When is the best time to let?

Chart 1E showcases the average number of properties let per month in Manchester over the past five years. We see activity peaking in summer (August) and dipping in winter (December).

Chart 1F puts the number of lets in the past few years side by side, revealing the impact of the Covid-19 pandemic and recovery on the letting market. Activity took a hit during the first lockdown in 2020, surged in 2021 due to pent up demand, but has been noticeably lower over the past 24 months.

Q2 2023 was a relatively quiet period for lettings in Manchester, with lets from April to June falling below the figures for each year (bar 2020), both pre- and post-pandemic.

Contrary to 2020, when there was a surplus of rental homes to fill, available rental properties have now hit record lows, as shown by Chart 1D. This goes some way to explaining the current lull in letting activity.



Average number of properties let per month (2018 - 2023)

Chart 1E

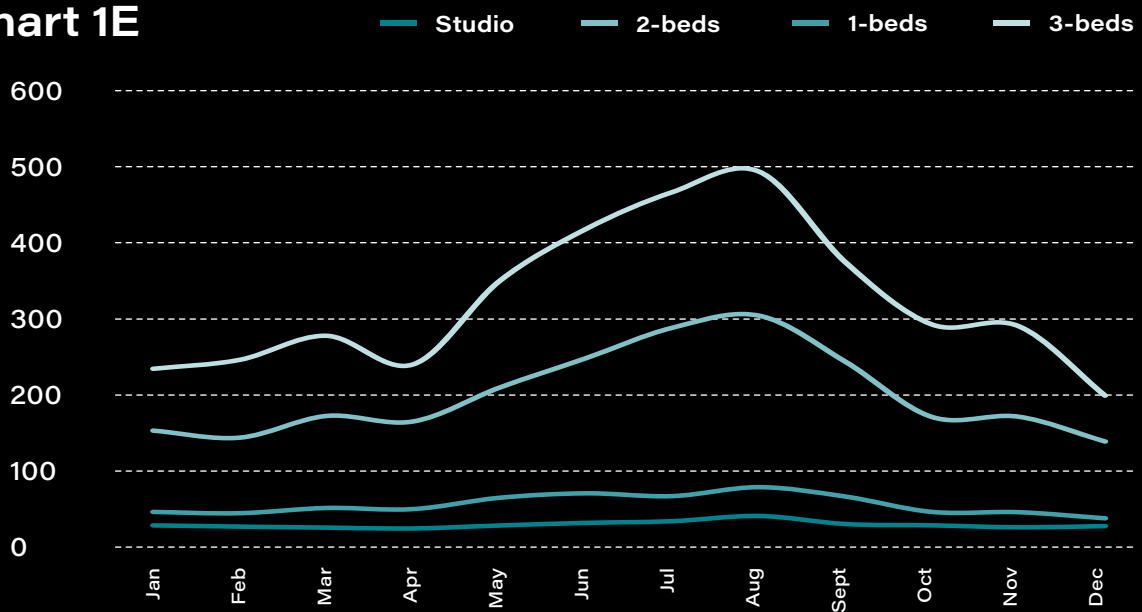
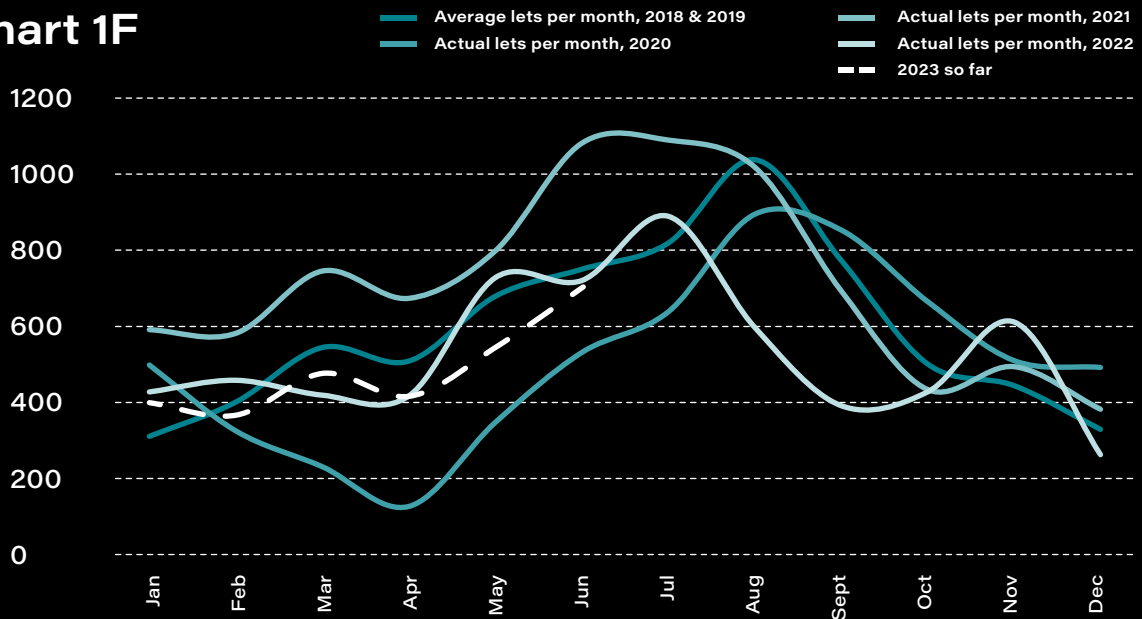


Chart 1F



Conclusion

The rental market in Central Manchester has demonstrated impressive resilience, despite the lingering rental supply crunch exacerbated by the pandemic and the rising cost of living.

The supply of properties for rent is far from meeting the growing demand, with the number of homes listed for rent at the end of each month still considerably lower than the peaks observed in 2020 and 2021. This imbalance continues to keep both asking and achieved rents high, as properties are often let out in a matter of hours.

“The summer months are traditionally very busy for us, and this year is certainly no exception!”

We continue to see an extremely high number of leads come through every day. The market is remaining stable with consistent rental valuations.”



Hayley Williams
Head of Sales Leasings and Operations
Alliance City Living



Are you a landlord looking for a property lettings and management service? Get in touch with our team today by calling **+44 (0)161 804 5080** or emailing **landlords@alliancecityliving.com**

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