

ALLIANCE  
**CITY  
LIVING**



## High demand, under supply

Manchester's rental market supply crisis has now entered its second year. In Q3 2022, the number of vacant rental properties hit the lowest rate on record with just 360 properties available.

Rents continued to increase at a considerable rate, with some areas in the city seeing prices increase by 38% in just one year. On the supply side, more homes have started construction in 2022 than at any other year in the last decade, but with job creation also reaching new highs, this may not be enough to temper the record-breaking rents.

Manchester's post-pandemic recovery has been identified by the supply crisis. This is preventing the city's rental market from rebalancing to its pre-pandemic state, and has brought with it letting activity levels that have not been seen since the beginning of the pandemic.

However, strong demand continues, and whilst there were never more than 550 properties listed available over the last three months (reaching an all-time low of 360 in August), these we all let at record speed. With many on the market for just a few hours.

## Key highlights from Q3 2022:

---

5,545 new homes have begun construction in Manchester so far in 2022. This is higher than at any point in the last 10 years

---

Achieved rental rates are above asking rents for the first time since the pandemic.

---

The amount of rental vacancies also hit new lows which once again pushed rents to new highs.

---

A record amount of office space was also submitted for planning in Manchester in Q3 2022 – a total of 1.3 million sq. ft. across seven schemes.

---

Whilst 2022 has seen more homes start construction than any other year on record, it is unlikely to be enough to temper continued rent rises.

Rents have continued to increase at record levels and are now up by 15.3% year-on-year. For the first time since before the pandemic, achieved rents have risen above asking rents on average. This suggests that renters are now bidding higher than asking price. Achieved rents rose almost 19.5% in the year to September.

In the Build to Rent sector, rents are now on average £85.60pcm more than in the wider market. This is possibly underpinned by a depressed supply of new BTR homes in 2022 compared to previous years. Only 885 BTR homes are due to be delivered in the city this year (211 of which have already been completed) – compared to 2,741 in 2021 and 2,325 in 2020.

This quarter has seen a significant increase in the number of homes under construction in Manchester. This is mostly down to Renaker mobilising Trinity Islands, Manchester's biggest residential development with 1950 homes in total.

2,300 homes have begun construction in Q3, whilst 683 were completed. This is higher than any other year in the last decade. If this is enough to temper rising rates remains to be seen.

Q3 2022 also saw a record amount of office space submitted in Manchester for planning. 1.3 million sq. ft of office space was proposed across 7 schemes.

This shows that despite some concerns for the economy with the economic outlook reaching lows not seen since the 2008 recession, there is a clear confidence in the Manchester market.

# On-going rental trends

## Current rental trend:

### Studio apartments

Average rent: £875.50 pcm  
▲ £9.00pcm(+1.0%)

### 1 bed apartments

Average rent: £982.00 pcm  
▲ £31.30 pcm (+3.3%)

### 2 bed apartments

Average rent: £1,371.90 pcm  
▲ £24.60pcm(+1.8%)

### 3 bed apartments

Average rent: £1,862.10 pcm  
▲ £22.60 pcm (+1.2%)

### Houses with 2 beds or more

Average rent: £1,528.20 pcm  
▼ £47.30pcm(+3.0%)

## Number of properties on market:

663 (last day of September)  
▼ down 301 since Jun. 2021

## Build to Rent:

### 1 bed apartments

Average rent: £1,110.20 pcm  
▲ £36.60pcm(+3.4%)

### 2 bed apartments

Average rent: £1,438.10 pcm  
▲ £41.00pcm(2.9%)

### 3 bed apartments

Average rent: £1,924.60 pcm  
▲ £60.00pcm(+3.2%)

# On-going rental trends

## New developments:

Currently under construction  
16,018 homes  
▲ up 1,616 since Jun. 2022

---

Office Space  
965,356 sq.ft.  
▼ down 156,800 sq.ft. since Jun. 2022

---

Completed during Q3 2022:  
683 homes  
▲ up 230 since Q2 2022

---

Office Space  
341,800 sq.ft.  
▲ up 119,945 sq.ft. since Q2 2022

---

## Planning submissions:

Submitted during Q3 2022:  
203 homes  
▼ down 493 since Q2 2022

---

Submitted during Q3 2022:  
1,336,708 sq.ft. office space  
▲ up 1,176,708 sq.ft. since Q2 2022

---

# Ongoing rental trends

## Key Points

Asking rents have hit new highs during Q3 2022, with studios rising 1% to £867pcm, 1 beds rising by 3.3% to £982pcm, 2 beds by 1.8% to £1,371pcm and 3 beds by 1.2% to £1,861pcm.

---

The rental supply crisis which has defined Manchester's post-pandemic recovery continues, preventing the rental market from rebalancing to its pre-pandemic rent.

---

The number of lettings in 2022 is now down almost a third compared to last year due to a lack of available properties.

---

During September 2022 Average achieved rents rose above asking rents from the first time since before the pandemic.

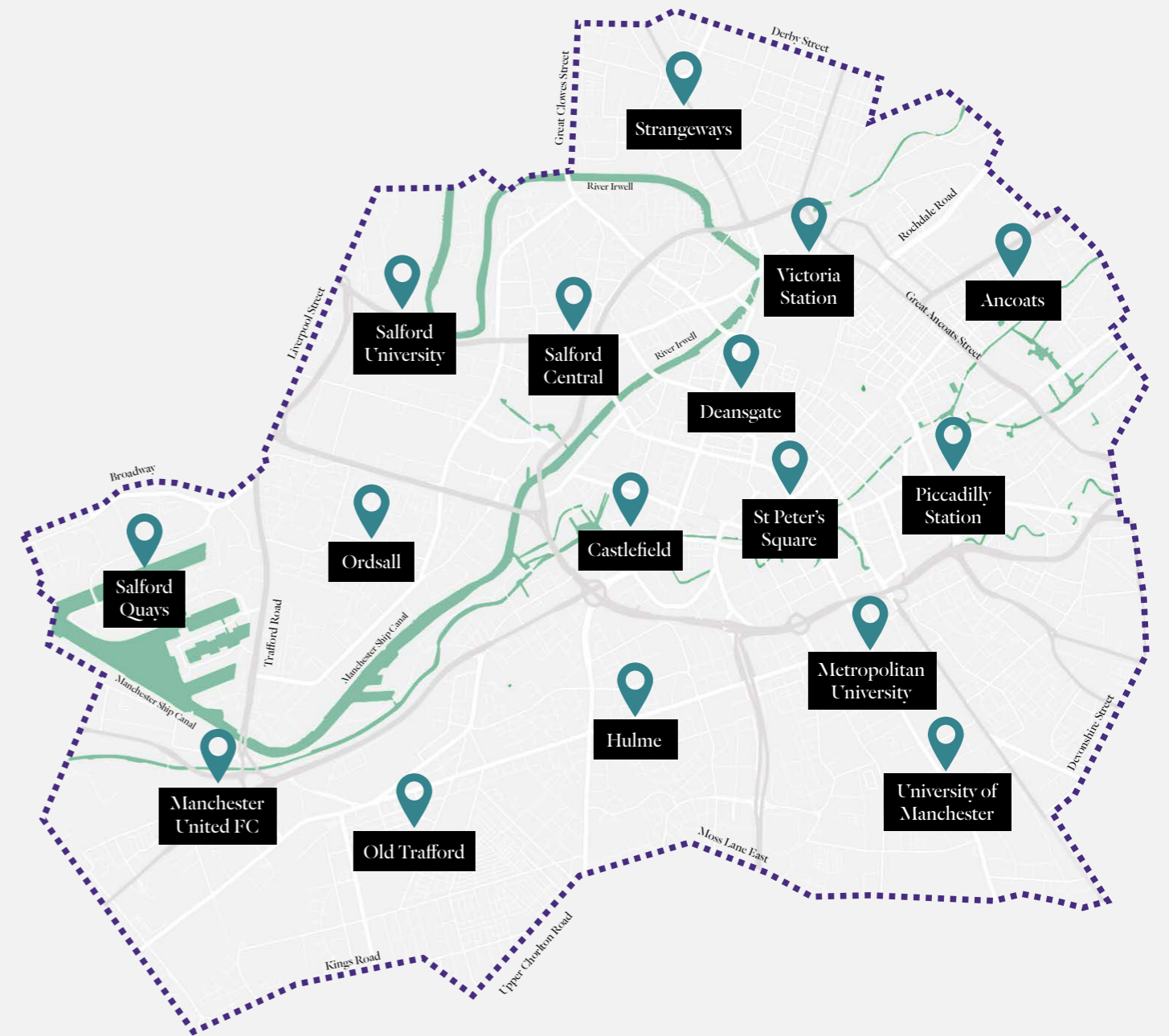
---

## Area covered by this report

This map shows the boundaries of what we define as Manchester for this report with a dotted blue line.

The area includes all of the city centre and the areas that immediately surround it, including Ancoats, Hulme, Ardwick and Strangeways – as well as parts of the neighbouring boroughs of Salford and Trafford such as Central Salford, Old Trafford and Salford Quays.

The references to “Manchester” or “Central Manchester” includes the majority of Manchester’s key business, leisure and tourism districts and attractions – including Spinningfields, Spring Gardens, the Northern Quarter, Deansgate, Arndale, Manchester United FC, Castlefield as well as all four central Manchester universities.



## Ongoing Manchester rental trends

Apartments in Manchester achieved average rent increases of 15.1% in the year to September while rents for houses continued to fall.

In Chart 1A we can see asking rents across all unit types per month since September 2017 in Manchester providing a five-year rental trend. Studio, 1, 2, and 3 bed apartments, plus houses with two or more bedrooms are shown on this chart.

Rents for apartments hit new highs during Q3 2022, with asking rents for studios rising 1% to £876 pcm, 1 beds rising by 3.3% to £982 pcm, 2 beds by 1.8% to £1,371 pcm, and 3 beds by 1.2% to £1,861 pcm.

For houses in Manchester, the rents continued to fall – and the average rate is now down 3% - or £1,528pcm, between June and September averaging £1,528pcm. This is the lowest asking rent recorded since December 2021, and may reflect a wider trend which is seeing the popularity of apartments increase more after the pandemic.

The popularity of houses grew from early 2020 as they tended to provide garden space which was in demand at a time when people were only allowed to leave their home for a limited amount of time a day. With the pandemic restrictions over, we are seeing rents for houses return to their natural rate.

Over the last 12 months apartments have shown considerable growth. Since September 2021, rents for studio apartments in Manchester have increased by 10.1%, or £80 pcm; +14.4%, or +£123 pcm for 1 beds; +20.8%, or +£236 pcm for 2 beds; and +15.9%, or +£255 pcm for 3 beds.

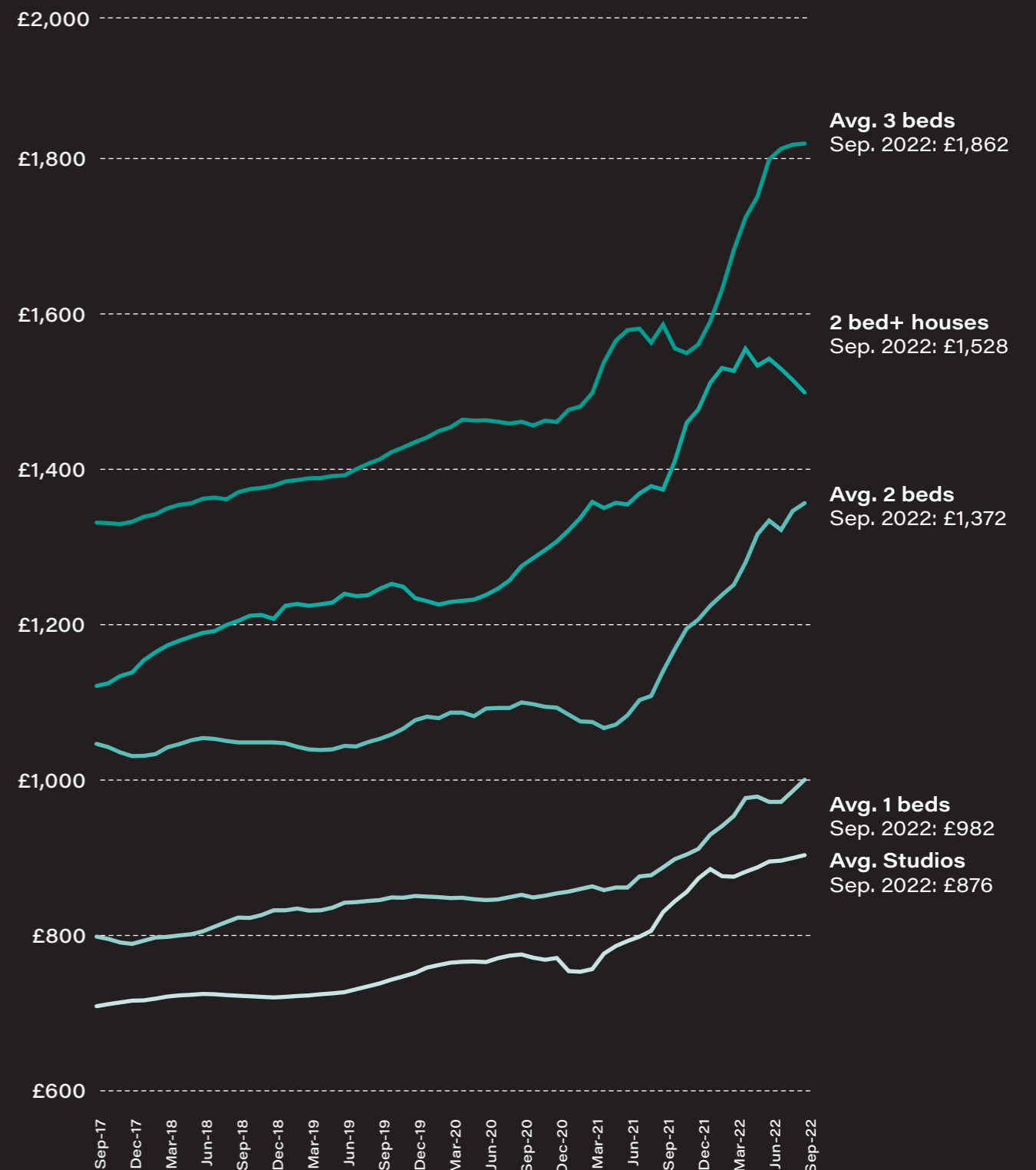
The incredible growth of asking rents we have seen for 3 beds does appear to have subsided over the last quarter as seen in the graph.

There appears to be two major trends which have started to affect the wider UK rental market over recent months. On the side of demand, increases in interest rates are affecting mortgages and potentially putting people off buying homes. The result of this could see an increase in demand for rental properties across the UK and in Manchester.

Rumoured government legislation on the rental market could give rise to landlords deciding to take their properties off the market which will reduce the already limited supply. It therefore seems highly likely that rents will continue to rise into the new year.

Chart 1A

## Five year rental trend, Manchester (rents £pcm)



# Let's vs new listings

In Chart 1b, we can see the number of homes let in Manchester each month between May 2019 and September 2022. In Chart 1C, the unit type of properties listed over that period is compared to those which were listed in the latest quarter, Q3 2022.

A total of 1,881 homes were let in Manchester during Q3 2022 – an increase on the previous quarter. However, this is 32% fewer than the number of properties which were let in Q3 2021, 20% fewer than Q3 2020 and 25% fewer than throughout Q3 2019. July saw most properties let in Manchester this year at 876 - but this too was below the 1,066 let during July 2021.

It is unlikely that this reduction is evidence of decreasing demand, but rather decreasing supply. It can clearly be seen in Chart 1D that there are fewer properties available to rent in Manchester now than in previous years, combined with evidence that demand has clearly increased. Homes which are put on the market to let are now regularly taken within hours and this is increasing achieved rental rates.

# Number of properties let in Manchester each month

Chart 1B

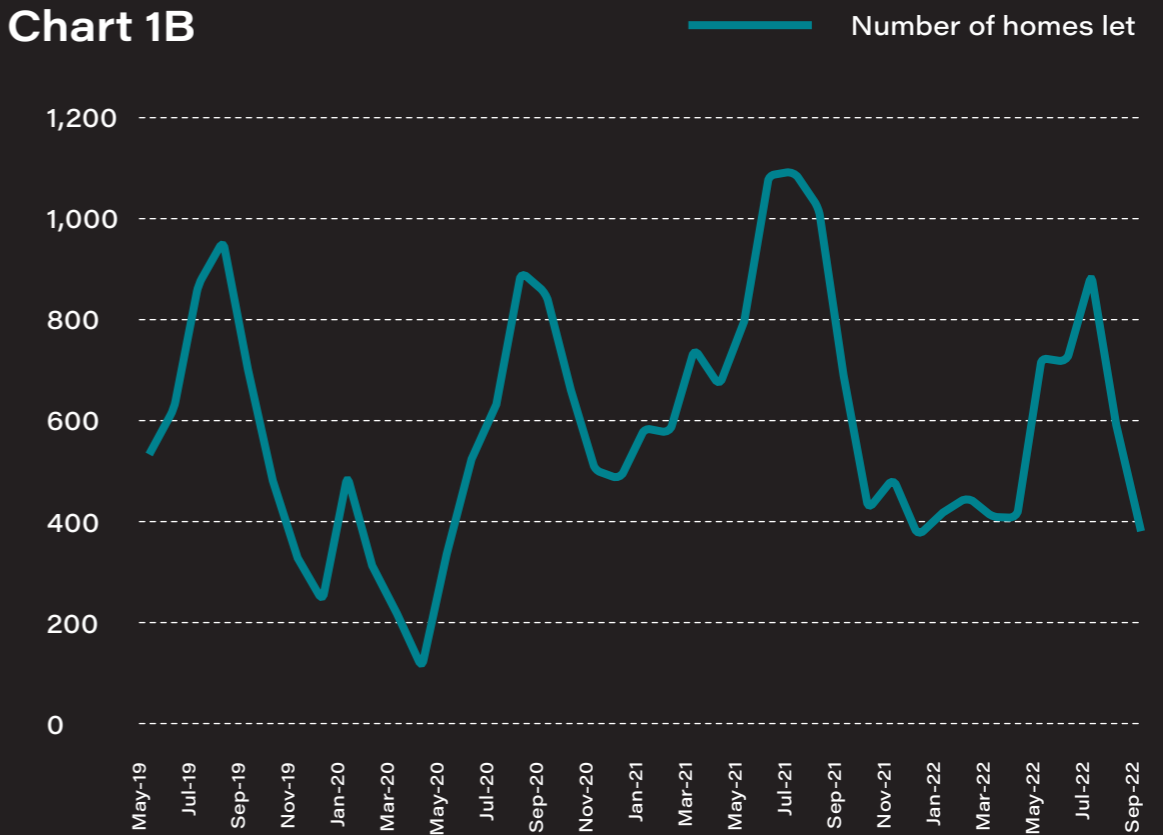
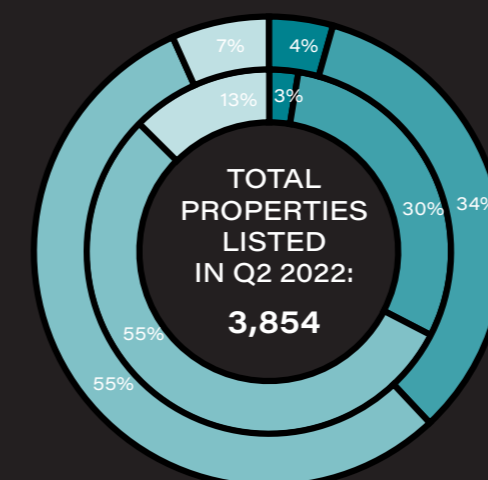


Chart 1C



## Unit type of properties listed on the Manchester market

INNER: Q3 2022  
 OUTER: All since May 2019

- Studio
- 1-beds
- 2-beds
- 3-beds



## Properties available on the Market

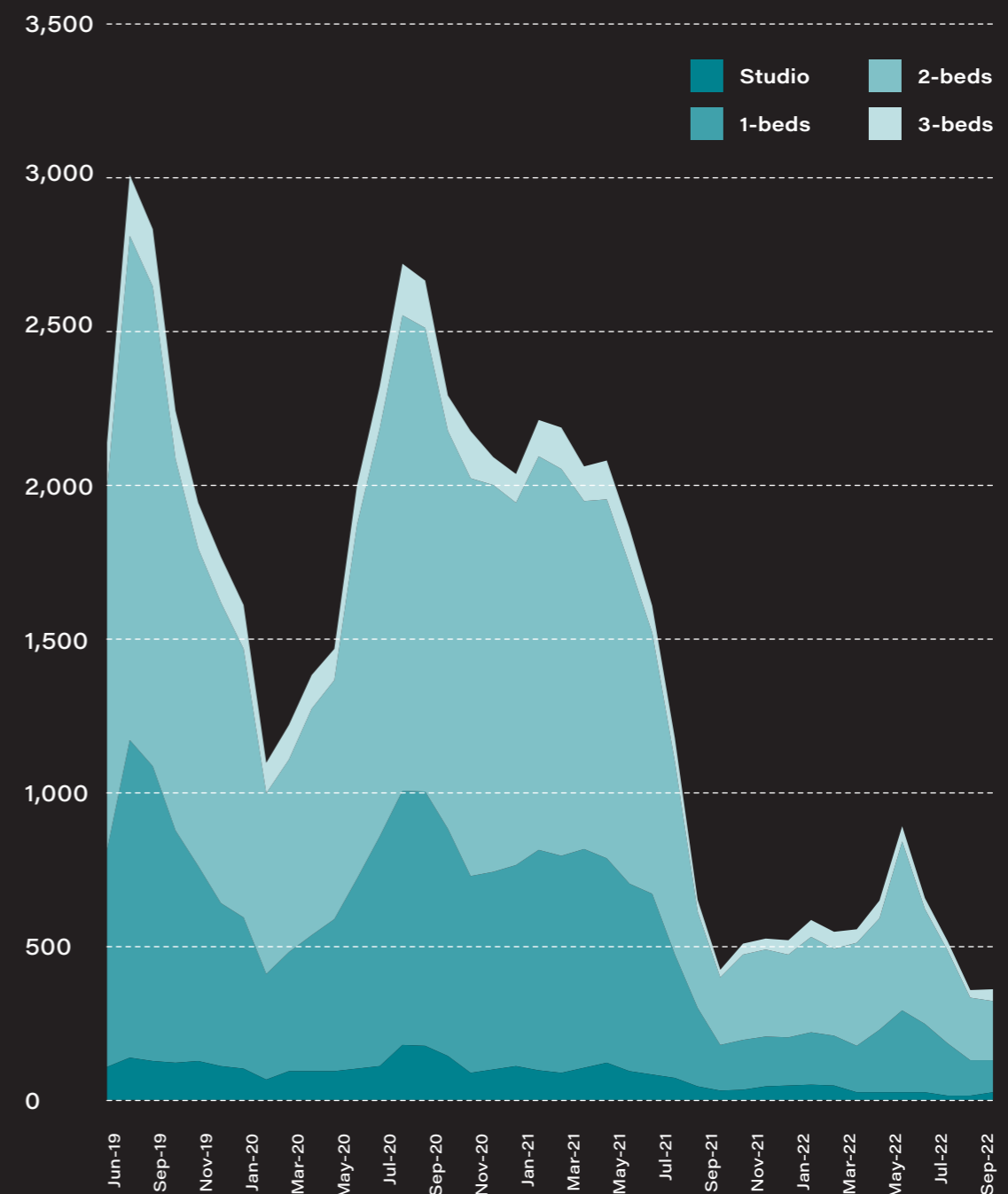
In Chart 1D we can see the number of properties which are available on the market each month arranged by unit type. This shows the total number of properties which would be available to a prospective renter if they started looking for somewhere to rent in the city. The data is collected on the last day of each month.

It is clear that Manchester's post-pandemic rental supply crisis continues and is preventing the city from returning to its pre-pandemic state. On the final day of September 2022, there were 363 properties available to rent in Manchester. This is slightly higher than the all-time low recorded in the previous month (360), but is still below the 427 properties which were available in September 2021. It is also far lower than the 2,322 and 2,271 properties available to rent at the end of September 2020 and 2019 respectively.

During the pandemic, there was a far higher availability of rental homes, but this changed very quickly when restrictions ended and people started returning to the city. New PRS market legislation is reportedly leading to many landlords taking their properties off the market, which is further exacerbating supply side issues. On the final day of September there were 23 studios, 106 one bed, 195 two bed and 39 three bed apartments available to rent in the city.

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

Chart 1D





## When is the best time to let?

In Chart 1E we can see the number of properties that were let per month in Manchester across the last four years on average. There are clear activity peaks in the summer and troughs in the winter – with more consistency year-round for studios and 3 beds.

In chart 1F, we can compare the pre-COVID lettings market with the market during COVID, and post-COVID. It shows that activity fell during the first lockdown in 2020, but subsequently returned to mostly normal.

This chart shows that activity in 2022 is broadly in line with the pre-COVID average. This supports the theory that things are largely returning to normality following the pandemic.

To the end of June, 2022 is currently performing as the least active year for lettings for the last four years (excluding 2020). In the first half of 2018 /19 there were 3,288 lets; 2,155 in 2020; 4,439 in 2021; yet 2022 so far has produced 3,206. By the end of the year, 2022 may well have been the least active year of the last four for lettings in Manchester.

## Average number of properties let per month in 2018, 2019, 2020, 2021 & 2022

Chart 1E

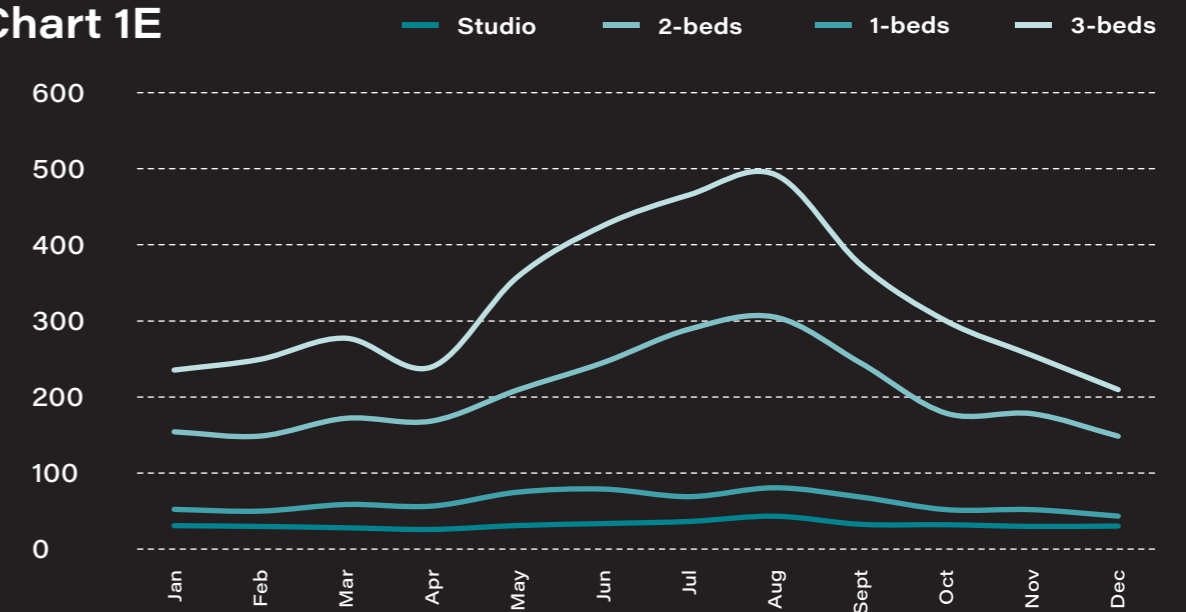
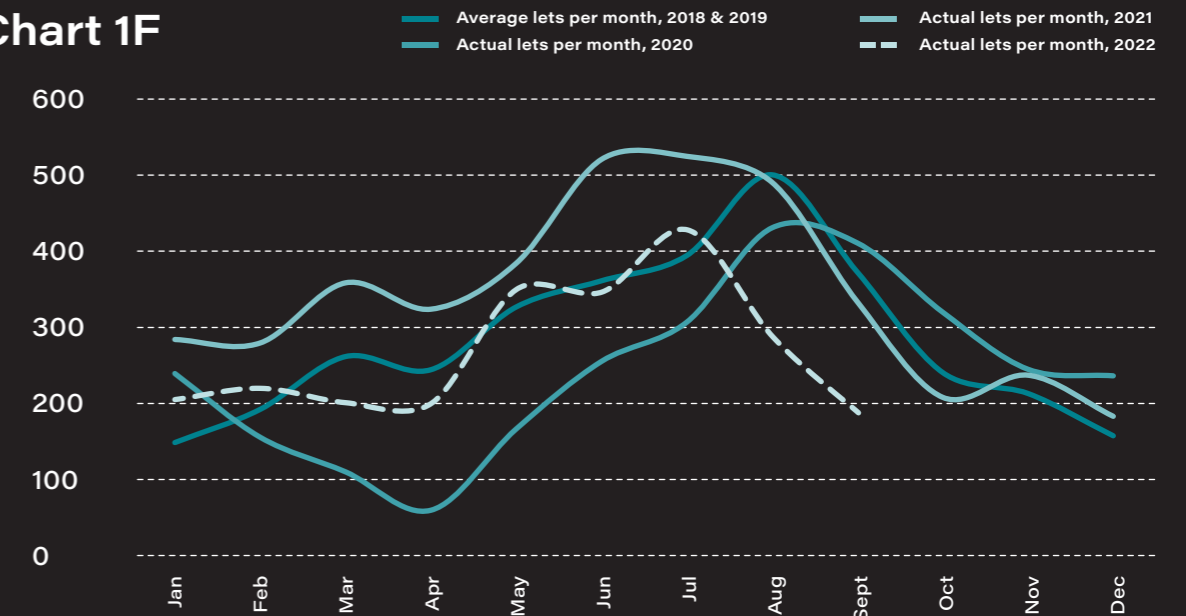


Chart 1F



# Asking rents compared to rents agreed

Chart 1K shows the average asking rents which were achieved for studios, 1, 2 and 3 bed apartments in Manchester over the last few years.

An "asking rent" is the value at which apartments are advertised at, and the "achieved rents" are the values agreed when an apartment is let. These values are negotiated up or down depending on the demand.

The average rents which are achieved have risen above asking rents for the first time since 2019. This is probably a result of the restricted supply and increase in demand for rental homes in the city right now. In the last 12 months with asking rents increasing significantly by 15.8%, achieved rents have increased by 19.5% - with achieved rents £9.10pcm above the asking rents in September 2022.

The chart shows that 2 bed homes are showing the largest uplift between asking and achieved rents at the moment. Average asking rents for 2 beds were £1,372pcm in September, while achieved rents were £1,413pcm – a £4.10pcm increase.

1 beds saw an uplift of £28pcm, and £18pcm for 3 beds. Studios were the only unit type which witnessed a reduction between the asking and achieved rents – minus £51pcm.

# Asking rents & achieved rents in Manchester since May 2019

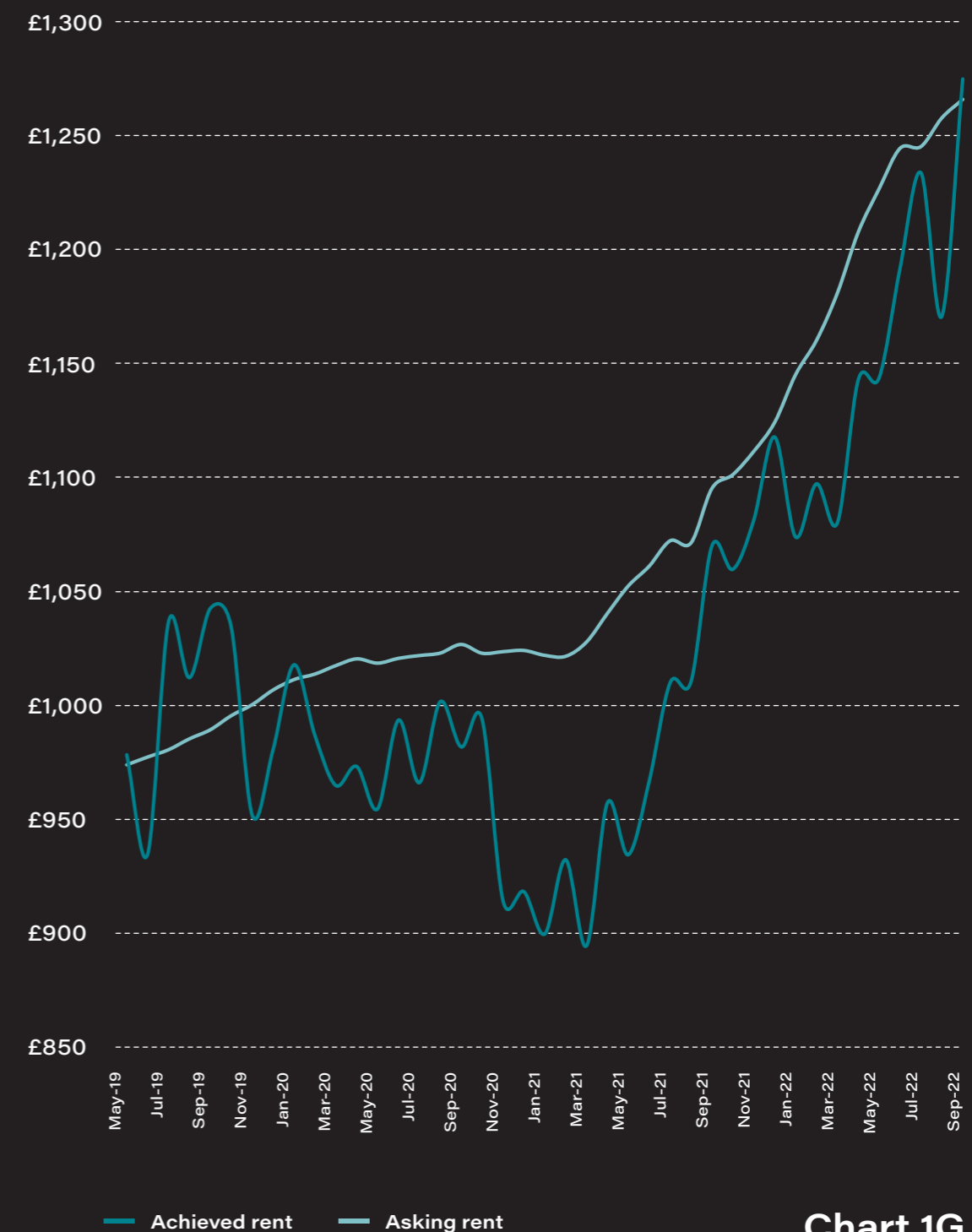


Chart 1G

## Conclusion

Despite a national backdrop of economic uncertainty, it is clear from this data that the Manchester rental market is still performing extremely strongly. Although there continues to be a stark shortage of properties available to rent, landlords have been seeing significant increases in their rental incomes.

Alliance City Living continues see huge demand for rental properties with our waiting list of approved prospective tenants currently standing at over 2,500. With no sign of significant increases in supply, it seems very likely that rents will continue to rise into the new year and beyond.

*“It was an exceptionally busy summer at Alliance City Living. We have seen properties let in record time – many within just hours of being listed.*

*We continue to grow our waiting list of approved and qualified residents looking to move into the city, and expect rents will continue to rise with demand.*

*Despite an element of economic uncertainty, it’s clear that the Manchester, and its rental market, is in extremely good health – and looks set to be so far into the future”*

**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**

ALLIANCE  
**CITY  
LIVING**

ALLIANCE CITY LIVING  
ALLIANCECITYLIVING.COM  
LANDLORDS@ALLIANCECITYLIVING.COM  
+44 (0)161 804 5080