From Homes to Assets

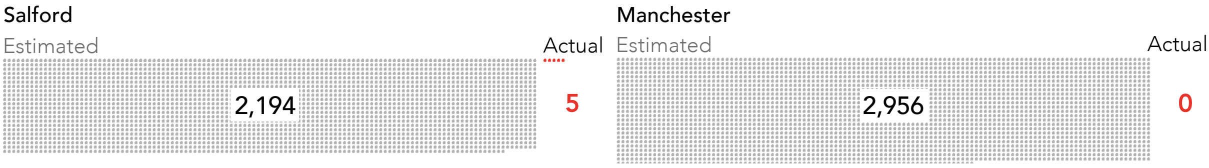
Housing financialisation in Greater Manchester

Executive Summary

This report outlines why housing financialisation is an important factor in the growing housing crisis in Greater Manchester. Financialisation can be understood as the transformation of housing from a public good to a commodity, a way for global and local finance to become involved in the housing market of Greater Manchester. To do so it examines a sample of collected data for 25,753 new housing units in the 'development pipeline' and spanning 79 sites in the city-regional centre in July 2017, alongside a range of secondary data sources. It is important to note there are many thousands more units being planned.

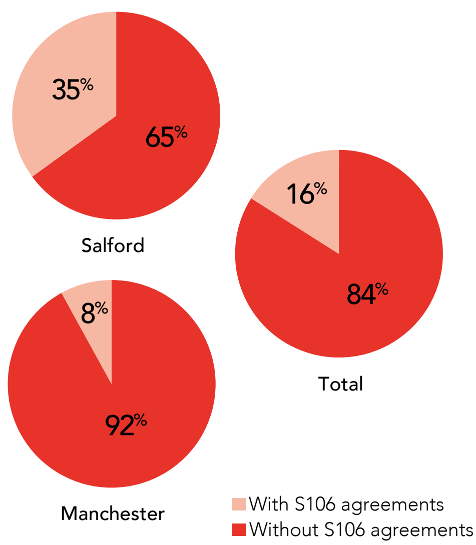
A. Enabling conditions for investment

Housing financialisation has been **purposively enabled as part of the strategic planning efforts of Local Authorities, national government and businesses to transform Greater Manchester** after its long-term economic decline. It has been encouraged through a number of measures including property led regeneration and concentrating development in the city-regional centre. These central areas of Manchester and Salford now offer attractive and secure rates of financial return, often more favourable than London and other UK cities. A range of enabling conditions for investment are configured in Greater Manchester including:

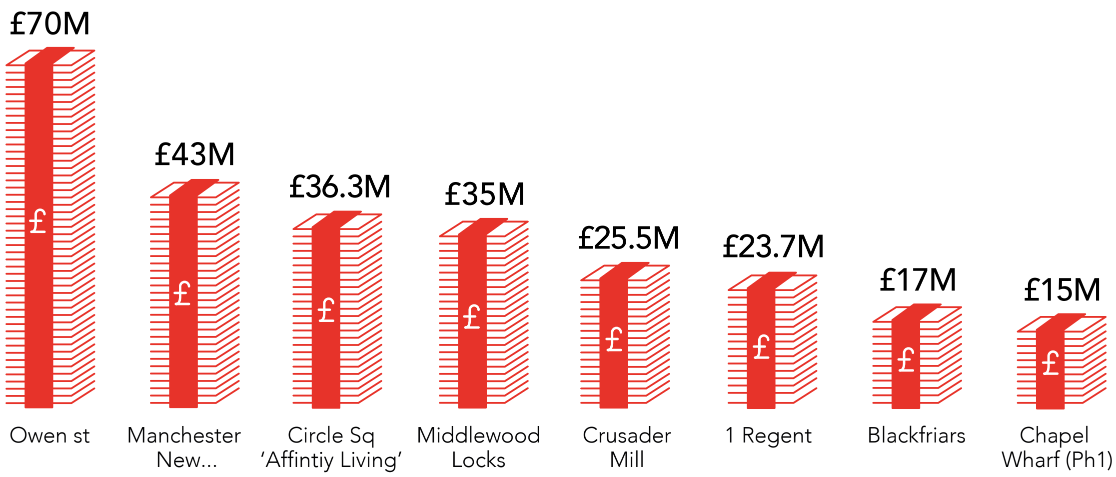


Dropping affordable housing requirements. A total of 5,125 affordable housing units could have been expected to be delivered under the 20 percent requirement, that has been the guideline for housing development in the city-region. Instead, no affordable housing will be built across the development sites in Manchester and only five in Salford.

Dropping financial contributions from developers. Out of 79 development sites only 13 Section 106 agreements were identified representing 16 percent of total development sites, with a total contribution of £5,725,103. In Manchester only eight percent of total housing development across four development sites included Section 106 agreements, accounting for £834,000 in contributions. A total of £4,875,373 was collected developers managed to avoid £18,103,201 in Section 106 fees due to Salford Council through manipulating 'viability assessments'. .



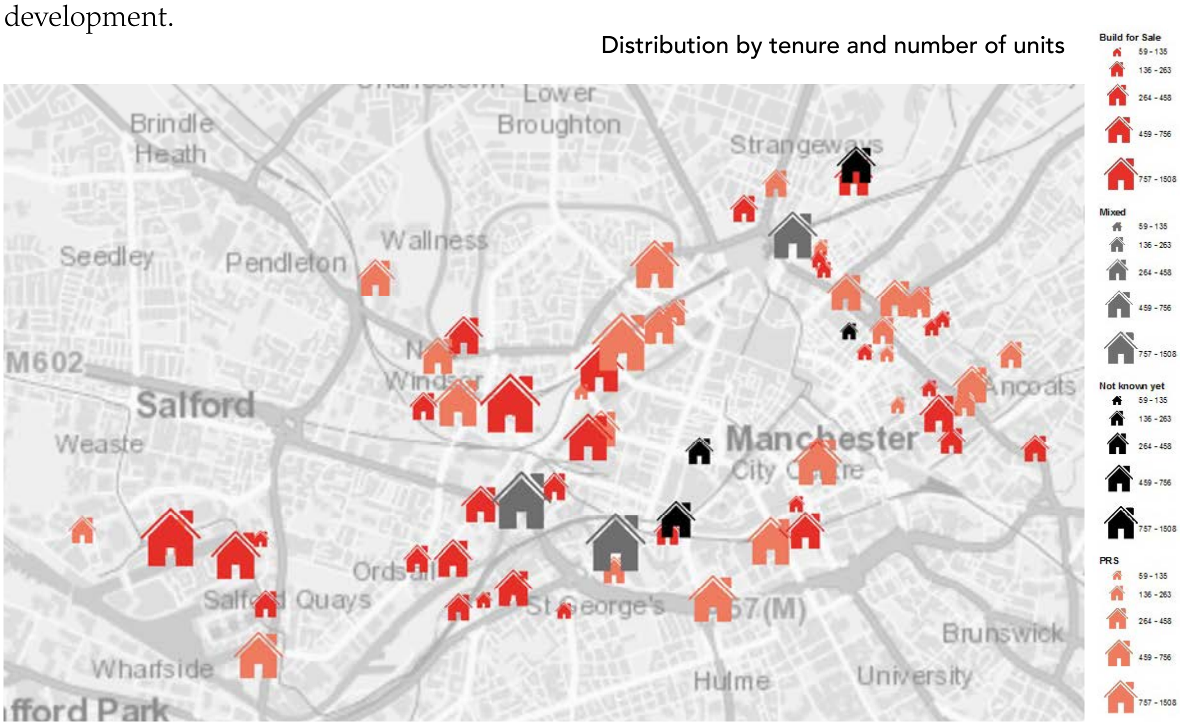
Various forms of state aid. Primarily through loans to developers totalling £265 million have supported the construction of 5,330 units with average financial support at £29,719 per unit, none of which are designated for affordable or social housing. Other state aid includes allocating and providing public land for private development.



B. Expansion of the Rental Sector

Expansion of the Private Rented Sector (PRS) model. This forms of financialisation has allowed institutional investors including pension funds, sovereign wealth funds, high-wealth individuals and others to invest in housing in Greater Manchester. There were **11,453 PRS units across 34 development sites** in the Greater Manchester city-regional centre with 5,320 units in Manchester and 6,134 units in Salford, accounting for 44 percent of the total housing units in development.

Distribution by tenure and number of units



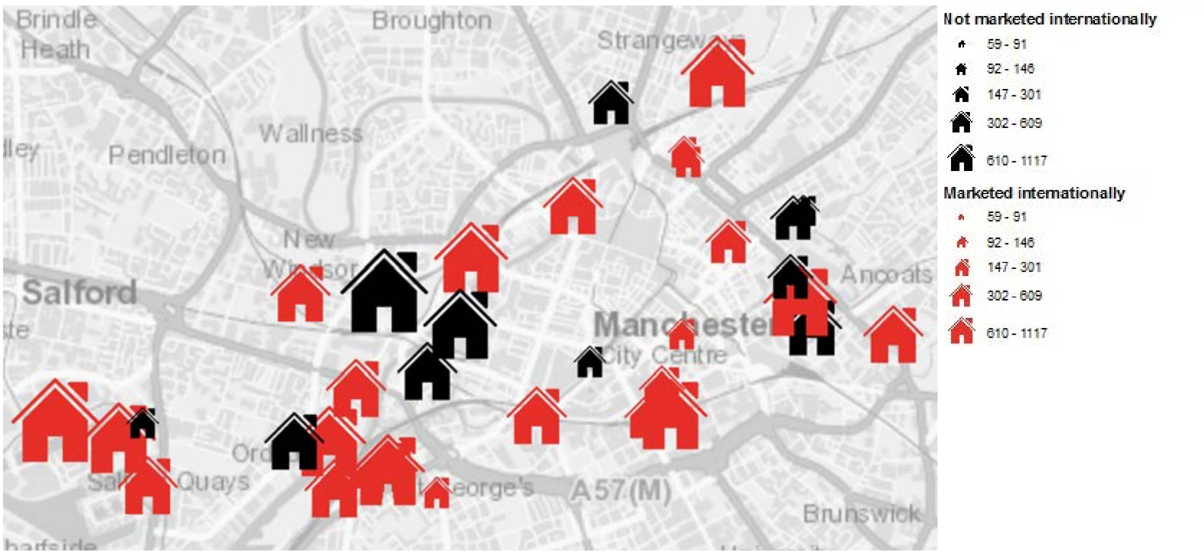
Growth of short term rentals of housing units has become a noticeable trend in Greater Manchester city-regional core. This is made up of two key sectors. Firstly, the 22 separate serviced apartment operations incorporating 1,198 units and with an estimated revenue of £36,962,471 per year. Secondly, the emergence of Airbnb with 310 units in central Manchester, and 59 hosts owning multiple properties, accounting for 62 percent of all listed units.

C. New financial actors and internationalisation

The emergence of financial actors as housing developers and providers is a relatively new phenomena in Greater Manchester. These include private equity funds, investment firms, publicly listed companies, pension funds and insurance companies. The amount of investment is large. Data was found on 29 development sites amounting to £2.13 billion of development. If this average figure was extrapolated across the 79 development sites in the sample it would total £5.85 billion, showing the scale of finance involved.

Greater Manchester is witnessing a surge of international finance into development in the city-regional centre from across the world, including large institutional investors involved in development finance, companies based in 'secrecy jurisdictions' and smaller investors purchasing one or two units, as part of savings and pension schemes for the growing, global middle class.

Large scale, international investment through development finance is visible in 7,634 units across various institutions[1] and represent a total of 30 percent of all housing development. International finance accounts for 47 percent of PRS housing units in the development pipeline, showing how it has facilitated new financial actors. The **collective financial holdings of these international actors is staggering**, representing billions of pounds of surplus capital seeking new investment opportunities. They include some of the wealthiest institutions and individuals on the planet.



New financial arrangements - Development of housing in Greater Manchester relies on a range of different financial arrangements and partnerships between UK developers and international financial actors. Many of the sources of finance remain concealed or difficult to trace but extend across the globe. Others point to concerns with transparency, democratic involvement in the city region and human rights abuses and environmental destruction at the sources of this new finance.

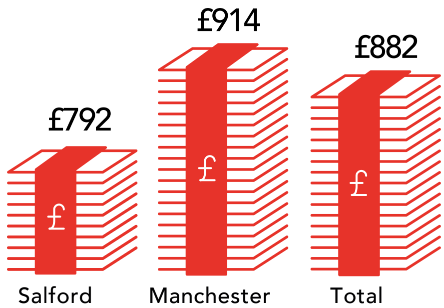
Smaller scale, international investment. The leasehold for 1,318 housing units in Greater Manchester city-regional centre are owned by international, commercial organisations. Over eighty percent of these housing units (1,197) have been purchased through these'secrecy jurisdictions".

The marketing and selling of housing units beyond the UK as Greater Manchester is put up for sale. Of the Build for Sale housing units there is evidence[2] of 78 percent being marketed internationally, representing 7,452 units or 4,141 in Salford (86 percent) and 3,311 (62 percent) in Manchester. It means new housing units being built in Greater Manchester are already sold 'off-plan' before they even become available for local residents

D. Local economic impact

New revenue. A minimum estimated contribution of Council Tax totals £30,903,600 per annum from the 25,753 units. This is a significant contribution to local services in the context of ongoing austerity and local government cuts.

The impact of housing financialisation includes creating new pressures on affordability for residents seeking to purchase or rent housing in the Greater Manchester city-region centre.



For buyers. The average cost of a new, one bedroom apartment across the Greater Manchester city-regional centre is £186,035, in Salford £167,046 and in Manchester £192,818. for an average housing unit in the sample data a gross monthly income of over £3000 would be the minimum required for a mortgage.

For renters. An Increase in rents has been ongoing for a number of years in Greater Manchester with evidence from the Valuation Office Agency showing average prices have increased by 22.4 per cent between 2014 and 2015. Central Manchester has an average rental price of £856 per month.

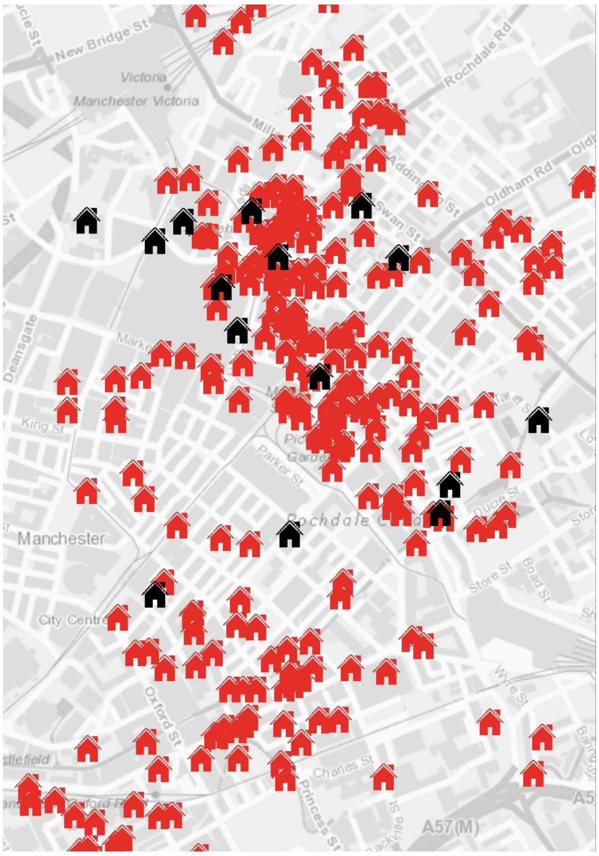
E. Implications

Pressures on neighbourhoods inside and outside the city-regional centre. For example the geographical distribution of short-term rentals, including Airbnb properties and serviced apartment is especially prevalent in the Northern Quarter, with over 150 Airbnb units alongside over 500 serviced apartments.

Lack of affordable, social or key worker housing being built in the city-regional centre means neighbourhoods and communities that lack any tenure or income diversity. Local Authorities are failing to create balanced communities. The result is that there is increasing economic segregation within Greater Manchester city-regional centre and surrounding areas, creating ghettos of rich and poor.

Other impacts include important parts of the historic built environment being destroyed in the name of developer profit and the privatisation of public space.

Lack of transparency concerning the sources and holdings of various individuals, institutions and financial actors involved in housing development in the Greater Manchester city-regional centre. From the hundreds of proprieties owned by companies in 'secrecy jurisdictions' to the opaque partnerships between Manchester City Council and Manchester Life housing financialisation opens up important questions about transparency in the city-region. Concerns show that housing financialisation is not just about housing but also about local democracy,



Apart Hotel and AirBnB rentals

Apart Hotel
AirBnB

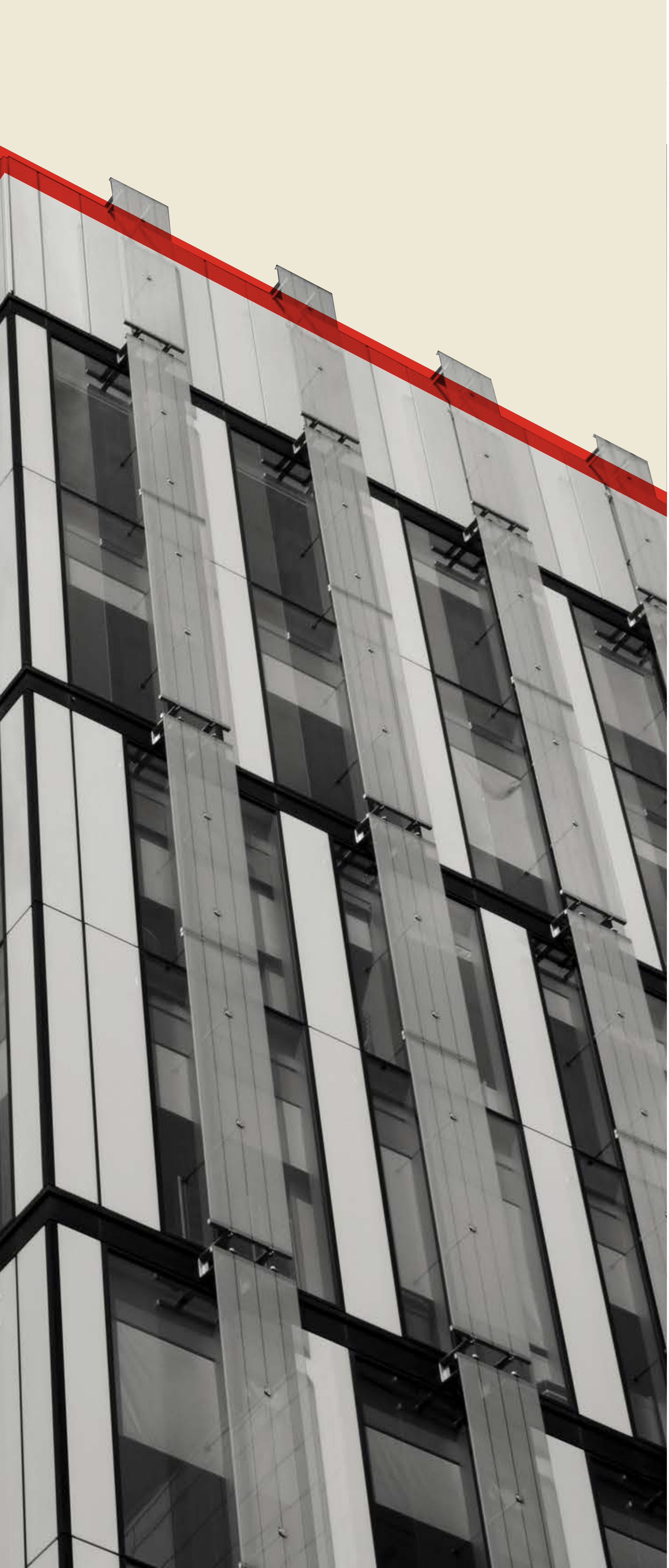
F. Housing futures

People within and beyond Greater Manchester are recognising the problems of housing financialisation and seeking to address the housing crisis will involve addressing these issues. There are many civic organisations and social movements campaigning around various facets of the housing crisis and effects of housing financialisation.

Local Authorities need to act quickly in order to ensure the next wave of development addresses rather than reinforce the housing crisis. The primary response to housing financialisation in Greater Manchester city-regional centre will likely involve using existing planning guidance.

Across the world, in cities such as London and New York, Berlin and Barcelona, residents and campaign groups have expressed increasing concern about the lack of transparency concerning housing finance. A range of cities have implemented policies to deal with the short-term rental market.

Housing financialisation has turned homes into assets and fuelled the housing crisis, it is time for a new approach that puts the needs of the people of Greater Manchester ahead of private equity groups, high wealth individuals and the surge of financial actors transforming the city-region.



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