

# CITY CENTRE MARKET

## LIVERPOOL

Liverpool is a city on the rise. Major national and international investors are beginning to buy into the growth story which is seeing game changing regeneration schemes along the docklands waterfront and in the new Knowledge Quarter. The first PRC schemes are now also coming on stream for the city's growing army of young professional and graduate renters.

### Sales market

The last 18-24 months has seen a welcome sign of confidence in the Liverpool city centre sales market through the re-emergence of owner occupiers following a period of time when transactions were dominated by investors. Demand from owner occupiers is focussed on established areas in the city centre and the waterfront.

Owner occupiers account for around one fifth of all the private residential homes in the city centre. A sizeable proportion of owner occupiers are downsizers who have been attracted to river-facing schemes offering full management and maintenance services as well as a concierge. Akin to trends seen across other major UK cities they have also been attracted to live in the centre in order to be in closer proximity to Liverpool's significant retail and leisure offering.

Typical prices of one and two bedroom flats in the city centre were circa £120,000 and £195,000 respectively at the end of 2016, having increased by 6.7% on average during 2016. Prime one bed flats averaged £145,000 with prime two bed flats averaging £235,000.

### Rentals market

Two thirds of homes in Liverpool city centre are privately rented. Rental demand is dominated by young professionals and graduates from Liverpool's three universities. Around

half of all people living in the city centre are young professionals. Many of these people have recently entered employment, but are yet to commit to a permanent future in Liverpool. However, they are increasingly demanding a higher quality of rental offering. Contemporary furnished properties in a waterside setting which offer a high quality management service command the highest rents in Liverpool.

Demand for rental property also comes from Liverpool's 50,000 undergraduate students and 10,000 post-graduates, who together account for circa 15% of the city's total population.

As of the end of 2016, an average one bed flat commanded a rent of £695pcm, while prime one bed flats averaged £850pcm. Two bed flats averaged £900pcm with prime two bed flats averaging £1,200pcm. Rental prices increased by an average of 10.3% in 2016.

### Development market

Since 2009, new development in the city centre has been focussed on the rental market, albeit on a buy-to-let basis, as opposed to single ownership Private Rented Communities. The majority of schemes have been studio-led and forward funded via individual overseas investors purchasing subject to a rent guarantee.

On the whole, activity in the development market has been relatively scarce in the years since the Global Financial Crisis. However, the past 12 months has seen some much needed activity in terms of construction starts and new planning permissions.

The most significant scheme by some margin is Peel Group's £5.5bn Liverpool Waters which will see the regeneration of a 150-acre historic dockland site into a major new waterfront quarter over the next 30 years.

The project includes 9,000 residential units, 1,400 hotel beds, 3.4m sq ft of office space and a substantial retail and leisure offering spread across 2km of the banks of the River Mersey. Some 800 of the residential units are now on site.

Residential neighbourhoods will range from tall building clusters at Princes Dock and Central Docks to low to mid-rise neighbourhoods at Clarence and Northern Docks.

Other notable schemes to have recently received planning permission include 21 The Strand, a prime site with a proposal for a 383 high end apartment scheme overlooking Canning Dock.

# LIVERPOOL CITY CENTRE

## SALES MARKET

**£120k**

1 bed

AVERAGE

**£195k**

2 bed

## PRIME

**£145k**

1 bed

**£235k**

2 bed

## PRICE GROWTH

**2014**

**4.0%**

**2015**

**13.5%**

**2016**

**6.7%**

## RENTAL MARKET

**£695**

pcm  
1 bed

AVERAGE

**£900**

pcm  
2 bed

## PRIME

**£850**

pcm  
1 bed

**£1,200**

pcm  
2 bed

## RENTAL GROWTH

**2014**

**7.9%**

**2015**

**7.3%**

**2016**

**10.3%**

# LAND MARKET & OUTLOOK

## LIVERPOOL

### Land market

There is little by way of recent comparable land sales evidence in the Liverpool market with a lot of land traded off-market. As such it can be difficult to place land values. Most purchasers in the city centre market are paying circa £18,500 to £20,000 per plot for land.

Local buyers have dominated the land market in Liverpool for many years with national developers struggling to gain a foothold.

However, national and international investors are looking ever more closely at Liverpool due to a combination of the current strength of the local economy, scale of major city centre investment, and the relatively more affordable residential market compared with other major UK regional cities.

### Private Rented Communities

One of the notable factors of the market in the last couple of years has been a shift in emphasis from developers seeking individual apartment sales to developers seeing bulk sales to investment funds, who will provide funding.

This is partly due to difficulty in obtaining finance, but also an increased appetite from pension funds and other institutional grade investors actively looking at securing PRC assets.

Liverpool is fast emerging as a 'must have' addition to institutional investors' growing portfolios of PRC units.

In Q4 2016 Moda Living and Apache Capital Partners received planning permission for a 34-storey £82m PRC tower called the Lexington.

The scheme, which will be among the tallest in the Liverpool Waters neighbourhood, includes 304 one, two and three bed units along with amenity space.

The project adds to Moda and Apache's growing portfolio which includes schemes in Manchester, Birmingham and Glasgow.

### Outlook

Liverpool is a rapidly transforming city with major regeneration activity taking place, particularly in the docklands. The city is now firmly at the top of many investor's hit lists and looks set to outperform other regional cities in terms of price and rental growth.

There are many reasons to be optimistic about the Liverpool city centre residential market. Major investment has occurred and will continue to pour into the city, which will ultimately boost demand for housing.

The Liverpool One shopping centre and the 11,000-seater Echo Arena, both completed in 2008 have helped cement Liverpool's world renowned retail and leisure offering.

The Peel Group's £5.5bn Liverpool Waters coupled with its sister scheme Wirral Waters on the opposite bank of the Mersey will radically transform a long stretch of the city's once celebrated docklands.

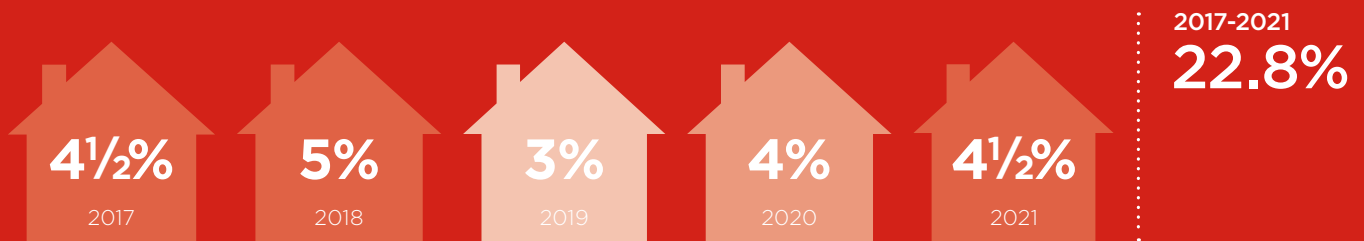
Plans were also unveiled in Q4 2016 for a £2bn 450-acre Knowledge Quarter, which over the next five years will aim to turn Liverpool into a world-class destination for science, innovation, education, technology and the creative and performing arts.

Work is expected to begin in 2017 on the £1bn Paddington Village within the Knowledge Quarter which will see the creation of a 1.8m sq ft scheme of international significance specialising in life and medical sciences as well as including hotel and residential space.

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## LIVERPOOL HOUSE PRICE FORECASTS

% change pa

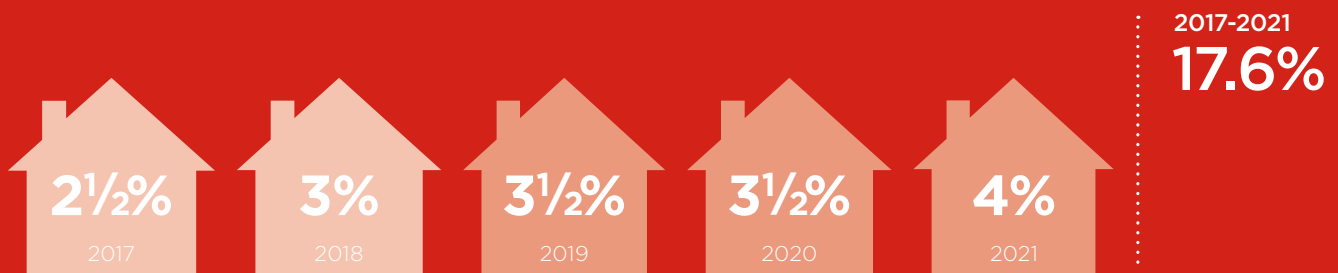


Source: JLL

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## LIVERPOOL RENTAL GROWTH FORECASTS

% change pa



Source: JLL

“Liverpool is a rapidly transforming city with huge amounts of regeneration activity taking place. The city continues to outperform other regional cities in terms of rental and capital growth and is now firmly at the top of many investor’s hit lists.”

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Robert Hogarth  
JLL Residential, North West