

Shelter from the storm:

Why the North West looks well-placed to ride out any market turbulence.

Bang! On Friday 23rd September, Kwasi Kwarteng announced the Government's bold new economic vision. We all know what happened next. Instead of a dash for growth, the markets simply dashed for the door.

Whilst the value of equities and sterling have yo-yoed frenetically since then, one thing seems certain: interest rates are set to rise faster – and potentially higher – than would otherwise have been the case.

How will house prices be affected? Capital Economics were already predicting a 7% fall; it now thinks the drop is more likely to be 10-15%.¹

No part of the UK will be immune from the turbulence but the North West should be better insulated from the headwinds and this is one region that we expect to fare better in the coming years, particularly at the top end of the market.



A market with real momentum

Property prices in the North West rose by 11.8% in 2021, two points above the UK average. Only Wales experienced higher growth.²

According to Hamptons, the out-performance has continued this year. Capital values in mainstream residential have increased by a further 7%. That has placed the North West at the top of the regional pile - and a long way in front of the 3% recorded in London.³

Our main interest is obviously the prime market, and that was looking just as healthy until interest rates were given a negative hike by the macro inflationary environment and the mini budget. It looks like our bank rates are now moving into line with those of developed economies at over 6% for a fixed interest rate. What happens next is anyone's guess but if the North West has started at the top of the regional pile, the best of the best should still maintain forward momentum and the prognosis is positive.

Why is the region doing so well?

¹ UK house prices predicted to drop by at least 10% in 2023 | House prices | The Guardian

² House prices up by almost 12% in the North West, according to Halifax | ITV News Granada

³ House price forecast: interest rate rises to cool UK growth | Evening Standard

Factors driving the North West's growth

Visit the likes of Hale, Wilmslow or Prestbury and you'll see no shortage of A and A+ properties. What you won't find is much availability. That's not unique to the region, of course. At the very top end, supply is always limited.

Supply is one side of the coin. But what's working most strongly in the North West's favour is current and future demand, underpinned by four key factors:

1. Size and scale:

Compared to (say) the South West, the region has the fundamental advantage of economic gravity. With 7.4m people, it's the UK's third most populous region and produces 9.5% of GDP. Only London and the South East account for more.

2. Quality of life:

The North West is justly famous for its cultural diversity and vitality, and some of Britain's most attractive countryside is within easy reach. Road, air and rail links are already good and will improve further if HS2b receives final approval. In its annual Global Liveability Index, The Economist now ranks Manchester as the 28th most liveable city in the world – higher than London, Barcelona or Los Angeles.⁴

3. Regeneration and development:

From Liverpool Waters to NOMA Manchester, progressive projects are catalysing economic activity. There's clear evidence that the plan is working. For the first seven months of this year, retail sales in central Manchester were 7% higher than in 2019. Other big city centres are finding it tougher to bounce back from COVID. Across the UK, average sales growth was just 1%.⁵

4. Wealth creation:

The North West possesses both world class educational resources and the opportunities to satisfy graduates' ambitions. In particular, the region is at the forefront of the knowledge economy. It's home to leading digital-first organisations such as Very, Radius Payment Solutions and AO.com, as well as centres of excellence like Media City, Salford and the life sciences campus at Alderley Park.

Put these four factors together and the North West offers high-skilled workers powerful motivations to go, compelling reasons to stay and real opportunities to prosper. In turn, this is driving – and will continue to drive – growth in the prime residential market.

⁴ Council leader welcomes global survey as Manchester breaks into top 30 best cities | Manchester City Council

⁵ CityCo & Manchester BID: Headline Spend Data - CityCo

Managing uncertainty

Whilst the medium to long-term outlook for prime property is positive, the million dollar question remains: is now the right moment to invest in the North West?

For most, the answer will be 'yes'; not least because economic pressures are likely to create buying opportunities that wouldn't normally be available, especially through the off-market.

Property Vision has been advising clients about property and its purchase for the last 40 years. Nowhere is there an obvious handbook about what to do or what might happen next. However, by using the experience of the ten Property Vision country executives, our clients gain access to the best property and we are able to advise on its negotiation and point out the opportunities and pitfalls surrounding it. With the recent Covid surges to the country and the inevitable price inflation that has followed, never has it been more important to pay for good advice.

Caution is still needed, however. It's never a good time to over-pay – but this is an unusually challenging time. Expert advice can help investors secure the right property at the right price, ensuring they're best positioned to capitalise on future growth.