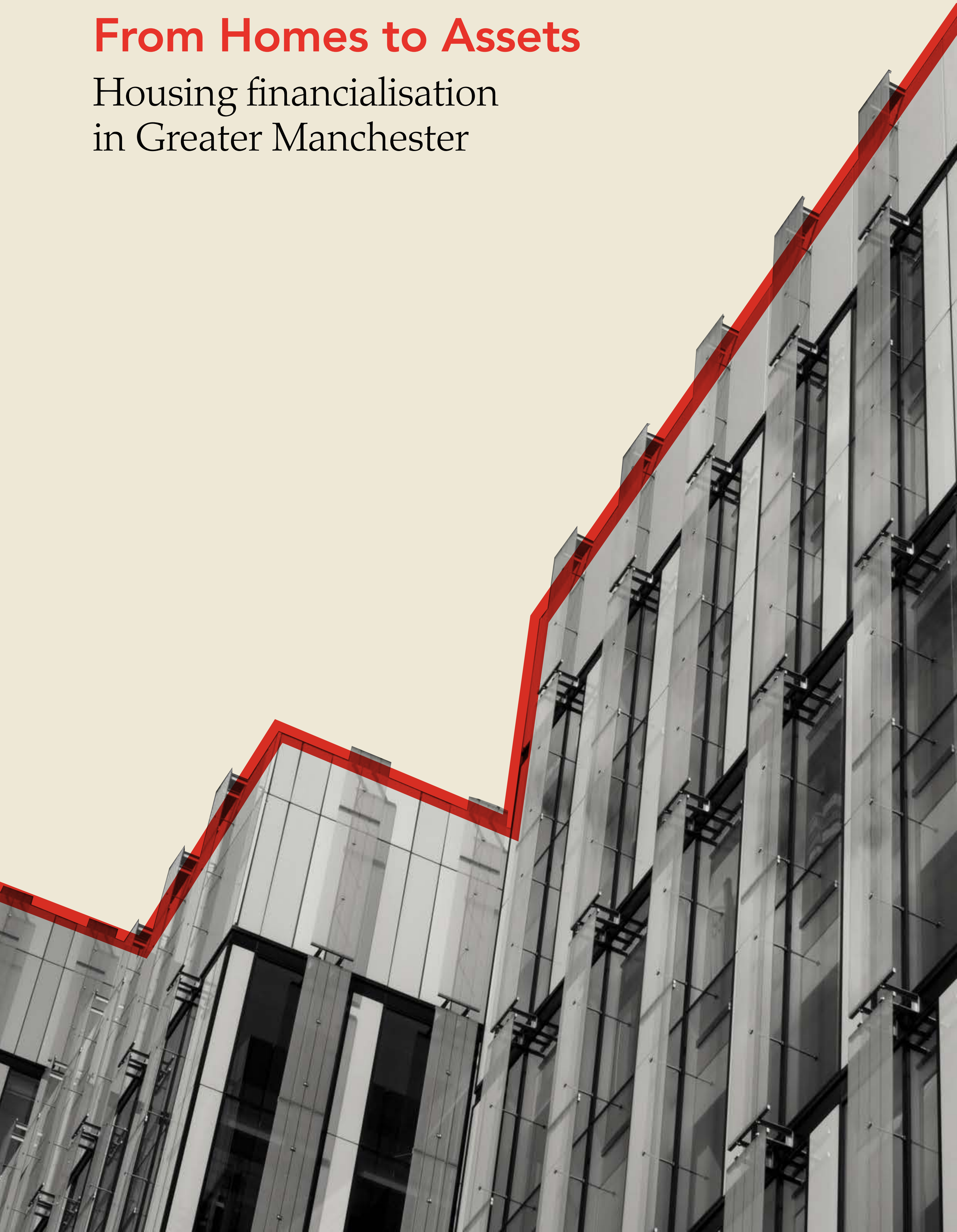
From Homes to Assets

Housing financialisation in Greater Manchester



This report has been written by Dr Jonathan Silver at the Urban Institute, University of Sheffield (j.silver@sheffield.ac.uk). The research has been funded as part an 'Early Career Research Fellowship' awarded by the Leverhulme Trust. Extra research and writing support was provided by Dr Desiree Fields, Department of Geography, University of Sheffield. Graphic design was undertaken by Dan Farley, GIS mapping by AG, Cover image: Becca Swift (License: CC BY 2.0). Responsibility remains with the primary author. All parts of the report including data are able to be used for non-commercial use through a copyleft agreement. Please reference all text or figures: 'Silver, J (2018) From homes to assets: Housing financialisation in Greater Manchester'. Working Paper.

Contents

1. Introduction

By most accounts Greater Manchester, and especially the 'city-regional centre' (incorporating central Manchester, central Salford and Salford Quays) is experiencing a housing boom. National and local media celebrate the construction underway, the rise in house prices and the billions of pounds of investment into the built environment. Amongst the cranes and constructions workers, new towers and luxury accommodation, the numbers of homeless both hidden and on the streets continues to grow. It has become perhaps the city-region's most pressing political and social issue as hundreds of rough sleepers struggle for survival everyday in Manchester and Salford. Homelessness is not the only feature of the housing crisis, even if it is the most visible. The 120,000 people on the waiting list for social housing[1], families in sub-standard rental properties, lack of tenant rights, the inability of many to purchase a home, are all part of this crisis. In various ways Greater Manchester residents are struggling to access the basic human right of housing.

This report sets out to outline a key driver in how this crisis in Greater Manchester is produced; housing financialisation. To do so it examines a sample of collected data for 25,753 new housing units spanning 79 sites in the city-regional centre, alongside a range of secondary data sources. The report outlines the ways in which housing in the central neighbourhoods of Manchester and Salford have become financialised, transformed from homes into assets as developers and financial actors, and whose concern for maximising profit shapes the housing futures of a city-region.

Figure 1A: Breakdown of research sample

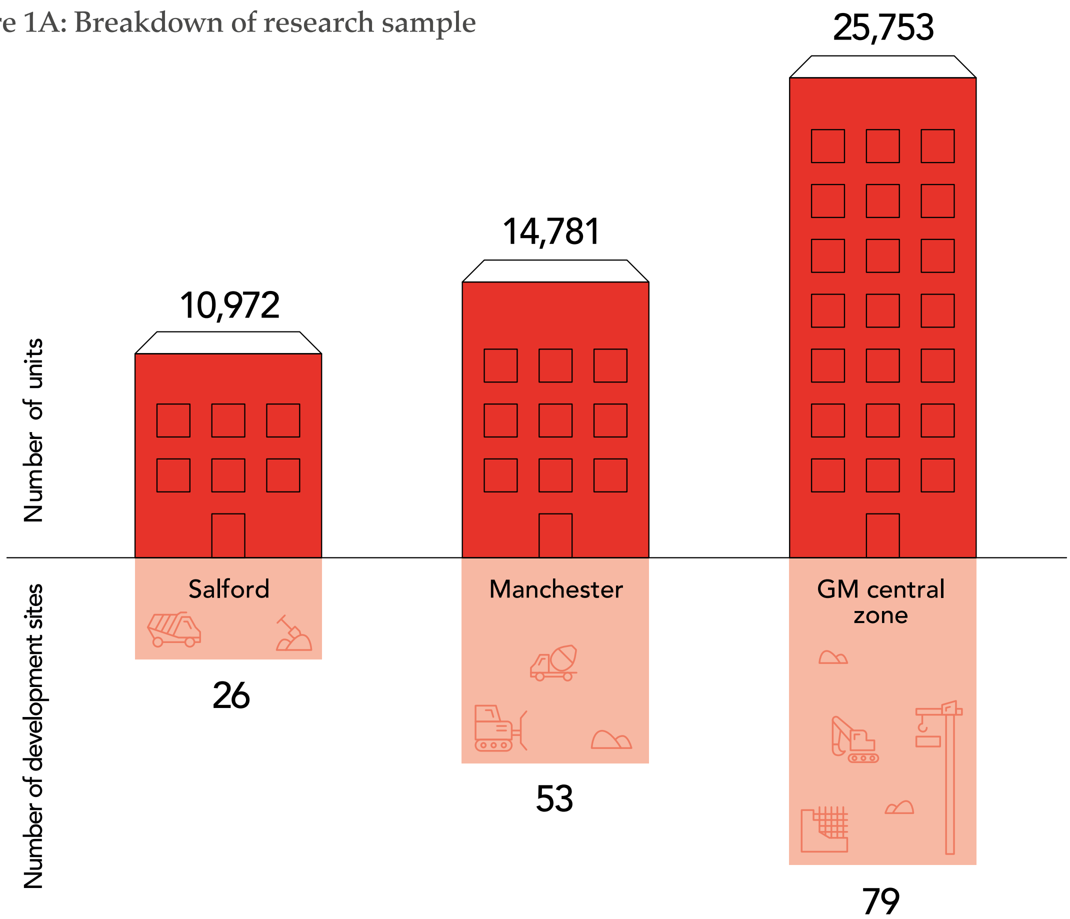
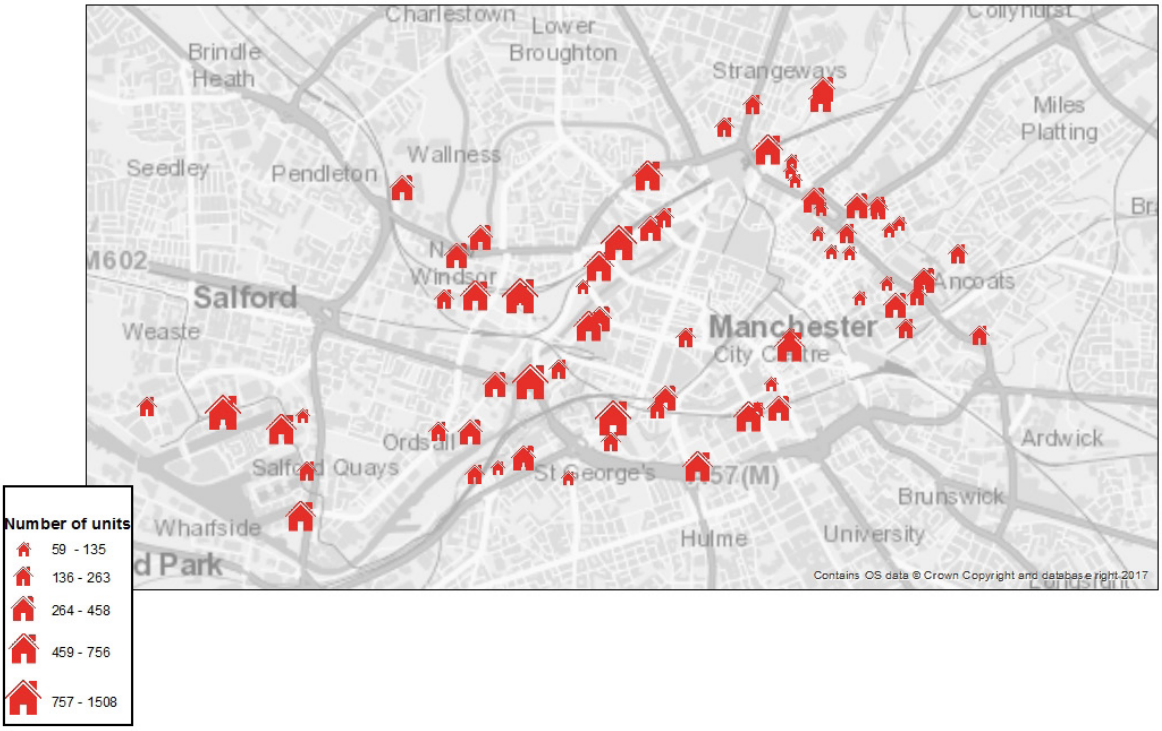


Figure 1B: Map showing the 79 development site research sample (by unit size)



1.1 Overview of housing financialisation

Financialisation is a term that entered academia and the media in the wake of the 2008 global financial crisis. Indicating a process of *becoming financial* it is about how the growth and power of finance effects societal change. Due to the origins of the 2008 crisis in the US mortgage market, one aspect of society where it is impossible to ignore financialisation is the domain of housing. What do we mean when we talk about the financialisation of housing?. To draw on the terms geographer David Harvey employed more than three decades ago, we might say we are talking about the tendency to treat housing as a"pure financial asset"rather than as homes for people. Another useful definition of housing financialisation comes from a recent report by the United Nations[2] that states it can be understood as;

> *"… structural changes in housing and financial markets and global investment whereby housing is treated as a commodity, a means of accumulating wealth and often as security for financial instruments that are traded and sold on [the] global market."*

Although housing financialisation has been more noticeable in larger and economically more powerful cities such as London, San Francisco and Sydney these dynamics are now becoming visible in post-industrial regions such as Greater Manchester.

1.2 New financial actors in housing

There are a number of different types of housing financialisation but the most pertinent form to the experience in the Greater Manchester city-regional centre is the emergence of various financial actors as housing developers and providers. These include private equity funds, investment firms, publicly listed companies, pension funds and insurance companies. In addition to 'non-financial' property owners (such as social housing providers) operating in more financial ways, today **housing is also subject to financialisation as financial institutions and actors take on a direct role in providing or developing housing.** In fact, there is a long history of this type of financialisation.

In the UK, pension funds are backing investments that plan to develop housing for the private rented sector (IPE, 2017)[3]. In Ireland, Spain, and the US, the countries whose housing markets were hit hardest by the 2008 crisis, private equity funds have aggressively acquired repossessed properties and are now renting them out to the growing population of tenants in these countries. This mode of housing financialisation may involve changes to how housing is managed and the way that profits are pursued and often involves international actors operating across housing markets. Here, it is important to pay attention to the relations between investment models pursued and housing outcomes. For example, private equity investments tend to seek out high returns over a short time period, which can make for a speculative approach to developing and managing housing and poor outcomes for tenants. The presence of such institutional investors makes clear the profit motive of housing development and little concern for communities and residents. It is this type of housing financialisation that is most visible and the focus of this report[4].

1.3 Housing financialisation in Greater Manchester

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. This process has been encouraged through three specific measures guiding housing and wider urban development.

1.31 Property-led regeneration

- For over two decades Local Authorities in Greater Manchester have focused on **property-led regeneration.** This has involved attempts to attract private investment, change the image of an area or neighbourhood and create 'flagship' projects such as new cultural attractions. This regeneration model came to the fore during the New Labour years (1997-2010) and resurfaced during the economic recovery from 2014. The city-regional centre is being transformed through urban development sites including offices and commercial space, but it is housing that has been the key driver in helping this city-region rebuild, from a landscape of abandoned warehouses and mills to new skyscrapers and apartment blocks.

- This type of property-led regeneration created a large city-dwelling population from the late 1990's, now numbering in the tens of thousands. **The 2008 financial crisis slowed down this process considerably.** This is illustrated by data from the consultancy Deloitte, who reported that the number of residential units in the development pipeline reached a high of over 4,000 units in 2006 before dropping to less than 500 units in 2010, 2011 and 2012[5]. The ability of policymakers and political leaders, working with developers, to transform the city-region through property-led regeneration had stalled. This was due to years of austerity, the reluctance of UK banks to lend finance and the difficulty of potential purchasers to secure mortgages.

- Since 2014 Greater Manchester is again a place in which **large amounts of finance from the UK, and increasingly internationally** support this property-led regeneration type. For many residents and visitors to the city-region this transformation is most visible in the skyscrapers being built for luxury accommodation including the Owen Street towers, with the largest planned at over 200 metres. In the same report Deloitte reported a 133 percent increase in the number of residential units under construction between 2016 and 2017. Much of this growth has emerged from the local and national government focus on remaking the private rented market, after a shift in emphasis from the 'Buy to Let' sector to the larger scale, institutionally friendly, Private Rented Sector.

- The growth of this type of housing to support the property-led regeneration is partly motivated by **decreasing levels of home ownership** in the UK. The Resolution Foundation shows that 58 percent of households living in Greater Manchester in 2016 were owners, down from a high of 72.4 percent in 2003 and the, "the sharpest fall in home ownership of any major city area in the last decade or so".[6]

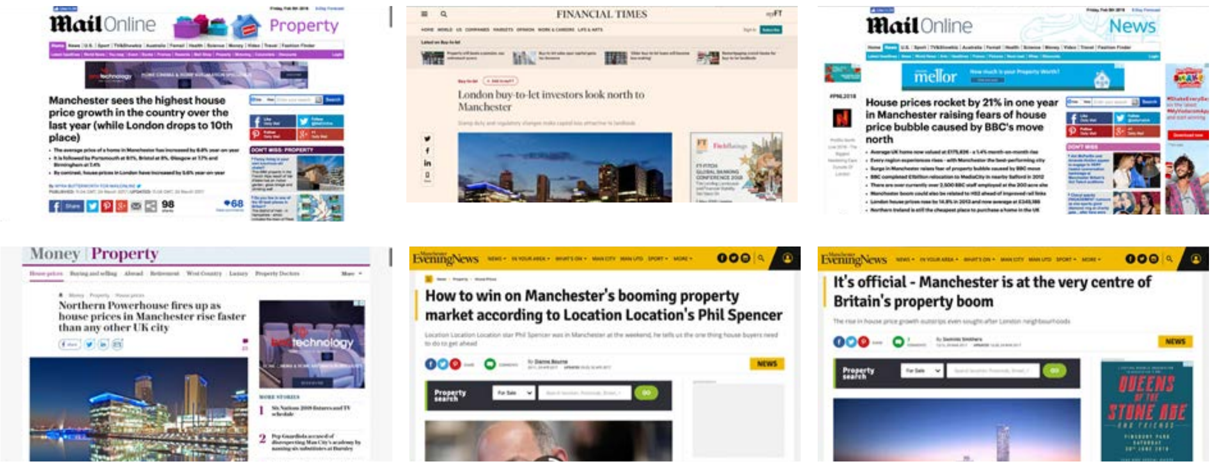


Fig 1C: National and local media celebrate Greater Manchester's housing boom.

1.32 Concentrating development in the city-regional centre

- Property-led regeneration, pursued by Local Authorities and the private sector in Manchester and Salford has concentrated development in the city-regional centre. **Local planning guidance** such as the 'Central Manchester Strategic Regeneration Framework' (SRF)[7] encourage high-density housing, mainly through apartment schemes. This guidance allows developers to build considerably higher than surrounding areas and thus to increase potential for profits. In the guidance provided in the 'Great Jackson Street SRF'[8] for instance the aspiration is to, "create a series of robustly tested tall buildings."

- The **focus on high density and tall development** in these parts of Greater Manchester follows a 'trickle down' understanding of how economies operate in cities. This is a view that by focusing on property-led regeneration, opportunities will then spill out (or trickle down) into the surrounding neighbourhoods. The last 30 years of urban development in the city-region and particularly central Manchester has involved embracing this 'trickle down' economic logic.

- The **trickle-down economics** underpinning urban development generates a particular approach by these local actors to new housing in Greater Manchester. It has been based on competitive, market based attempts to secure investment to transform urban space, attract new companies and jobs and use housing development as an opportunity to attract new flows of finance. This 'Manchester model' of high density housing has sat at the heart of a policy to use property-led regeneration to spur new economic opportunities in the centre (CRESC, 2016[9]).

1.33 Enabling conditions for investment

- In order to pursue this regeneration strategy Manchester City Council, Salford City Council and other partners needed to create a supportive fiscal context to attract and secure private sector investment. This developer-friendly approach has involved allowing planning permission for most new buildings **overriding concerns about heritage, neighbourhood impact, affordable housing, design and other gentrification**.

- As already noted the financial crisis severely curtailed the property-led regeneration efforts focused on the city-regional centre and meant that Local Authorities needed to further enhance the **supportive context for housing developers**, involving a number of different measures. At a local level these measures are most noticeable through reducing financial contributions from developers through Section 106 contributions and affordable housing requirements.

- The use of **various loans provided by local or national government** to stimulate construction was seen as an essential policy in the years after the financial crisis when house building slumped across the UK. A range if financial resources were allocated across these different parts of the state to provide these funds with working capital.

- Planning obligations under **Section 106** of the Town and Country Planning Act 1990 are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development such as providing local services and facilities, environmental improvement and public realm works. However, since the financial crisis both Manchester City Council and Salford City Council, to varying extents have encouraged developers to build housing through reducing these contributions.

- This deliberate approach, of reducing Section 106 contributions, has also been mirrored in the approach to **affordable housing requirements** developers are supposed to follow. Under the current UK housing and planning system there is guidance for developers to work with Local Authorities to build affordable housing as part of all new developments, based at 20 percent of total units. However, it is now common across the UK for Local Authorities to forego the building of affordable housing as part of agreements on new, market based development in city centres.

- The financial contributions that would have been expected from new housing in Greater Manchester have been further curtailed through the developers mobilising what is called a **'viability assessment.'** In principle the assessment is supposed to show the rate of return and the viable amount of contributions that should be expected by Local Authorities through both affordable housing provision and Section 106 agreements. However, over recent years developers have employed consultants to navigate this planning requirement and reduce in part or entirely, the contributions they should be making. Many of these assessments from developers and Section 106 reports from Councils remain unaccessible to the public.

> Viability assessments
> *"Viability assessments allow developers to reduce the number of affordable houses they build on their site, if they can show building them risks reducing their profits to below 20%. It means many developers face no penalty for over-paying for land because they can recover the costs by reducing their commitments to building new affordable homes" (Shelter 2017[10]).*

Local Authorities are also able to implement **land assembly** that involves public land in and around the city-regional centre being allocated to preferred developers. The benefits of handing land over to private developers is not shared with the public so it is difficult to assess whether any profits are shared with Manchester or Salford City Council.

1.4 Evidence of housing financialisation

Housing financialisation has emerged from a focus on property-led regeneration, concentration in the city-regional centre and enabling conditions for investment. It has taken three key forms in Greater Manchester. The expansion of the Private Rented Sector (PRS), the increasing involvement of financial actors and accelerating flows of international finance into the built environment.

1.41 Expansion of the Private Rented Sector (PRS) model

- The finance involved in housing development is now noticeably different than before the financial crisis. Finance of housing has shifted from conditions in which UK based developers used mainly UK based bank finance to build and then sell apartments to customers seeking home ownership. Now investment from outside the UK flows into the city's built environment **focused on the opportunities offered through the PRS**.

- This sector can be understood as housing developments that are **built for rental purposes by institutional investors**. This can include developers holding onto the housing units or selling them on to various financial institutions and actors, aimed at the rental sector and importantly as tradable assets that can be sold on to other institutional investors. This new financial 'product' is the key means through which housing financialisation has taken place and allows institutional investors to purchase apartments, often at scale (so for instance a whole building or urban development site), creating both ongoing rental income and a traceable asset.

- Encouraged by **new national guidance and favourable fiscal conditions**, thousands of PRS apartments are in development, intended to capitalise on the rising rents in the housing market. The opportunities to profit from the PRS have therefore differed considerably from the past because it is now straight-forward for large financial actors to invest in housing in Greater Manchester.

- The expansion of the PRS model has instigated a **new entanglement between housing and finance** that has enabled a range of new institutional investors to become involved in housing in the city-region.

1.42 Increasing involvement of financial actors in housing

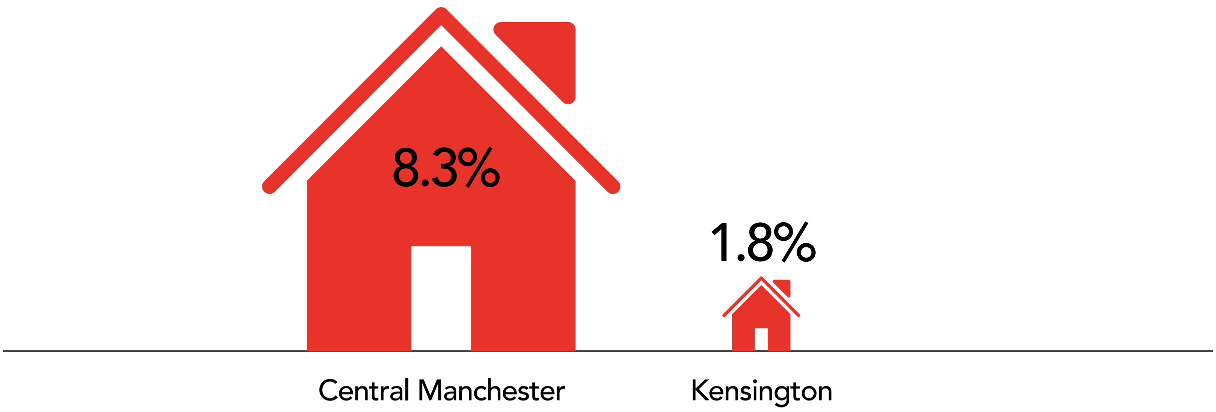
A walk around the housing developments and the hoardings that surround these sites shows how the financial backers involved in developments are located across the globe, and how rapidly the housing market in Greater Manchester has been integrated into the global economy.

- These **new actors** involved in housing in Greater Manchester include pension and private equity funds, banks and high-wealth individuals, well financed family companies and multi-national construction companies. They represent the multiple and diverse make-up of financial actors that are now involved in housing.

- The growth in financial actors involved in housing in the city-region reflects the ease and rewards of investment in the central areas of **Manchester, Salford and Salford Quays offer attractive and secure rates of financial return**. This has been supported by decades of work by local actors to make the city-region an attractive place for inward investment. For instance in central Manchester the average rent of £1,230 per month or average cost of a housing unit at £177,546 means a 'Buy to Let' gross yield of 8.3 percent. a high rate of return for institutional investors.

- This compares favourably with data in the Borough of Kensington. In this area of London an average rent £1,732 and average cost of housing at £1,103,645 provides a much lower 'Buy to Let' gross yield of 1.8 per cent[11]. With such large returns available in central Manchester 6.5 percentage points higher than Kensington, and with the growing opportunities of the PRS housing global finance views Greater Manchester as a key growth market in the UK and international real estate markets.

Figure 1D: 'Buy to Let' gross yield in Central Manchester vs Kensington



1.43 Accelerating international finance into housing

Internationalisation refers to the process of the financing or purchasing of housing from outside the country in which the housing is located. It is an integral and perhaps the most visible element of housing financialisation. 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.

- Since the 2008 financial crisis UK based **developers have found it difficult to borrow from UK** based banks that suffered large losses in the sector and faced collapse due to speculation on the housing markets. This was particularly noticeable in the immediate years afterwards.
- As a response these developers have tapped into the staggering amounts of surplus global finance looking for investment[12]. At this global level there is significant and **growing finance flowing into urban land and housing markets**, with real estate investment expected to hit $1.39 trillion in 2017[13].
- The lack of bank finance available in the UK and the **surplus of global finance**, seeking new opportunities for profit, has provided the conditions through which Greater Manchester has undergone financialisation of housing.
- A further factor to consider in the acceleration of new flows of non-UK based finance is the actions of **individuals and companies purchasing individual or small numbers of housing units** from outside the UK (and different to the whole-building ownership/ institutional nature of the PRS).
- As such international involvement in financing housing incorporates **two key sectors**, the larger scale, institutional investment and the smaller scale purchasing of individual or a few units. Evidence shows this is from the emergent middle class in countries such as China as part of 'Buy to Let' type arrangements.

2. Evidence of housing financialisation

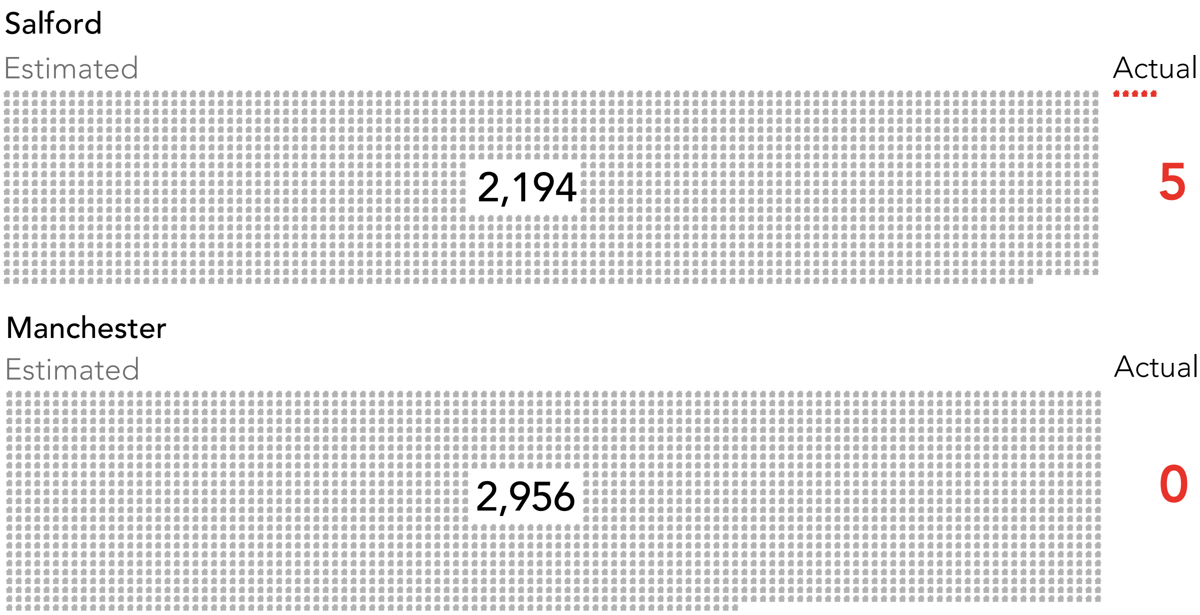
This next section outlines the evidence of housing financialisation through focusing on the enabling conditions for investment, the expansion of the PRS sector, the increasing involvement of financial actors in housing and accelerating international finance into the built environment.

2.1 Enabling conditions for investment

2.11 Dropping affordable housing requirements

An analysis of development of housing in the Greater Manchester city-regional centre draws attention to the financial contributions that are expected and the actual amounts that Councils have been able to secure. A total of 5,125 affordable housing units could have been expected to be delivered under the 20 percent requirement[14], that has been the guideline for housing development. Out of the total development pipeline only 5 units, at Fortis Quays in Salford seemed to have been agreed, with the provision of on-site affordable housing not required in all other cases. This represents an extraordinary situation in which affordable housing is being purposefully excluded from central Manchester, central Salford and Salford Quays, despite thousand of new units being constructed.

Figure 2A: Expected number of affordable housing unites under the 20 percent requirement



2.12 Dropping financial contributions from developers

- In total **13 Section 106 agreements were identified15 representing 16 percent of total development** sites with a **total contribution of £5,725,103**. In Salford this included 35 percent of total housing development across nine sites collecting a total of £4,875,373. Salford City Council undertake a full Section 106 evaluation process for each development with the total amount calculated made public. Developers managed to avoid £18,103,201 in Section 106 fees.

- As mentioned developers in the UK increasingly **use the 'viability test' to find ways to escape from providing full amounts**. This is clearly evident from the money that has not been provided in Salford[16]. In response Salford City Council have now introduced a 'clawback' option[17] after Council evaluation that involves further contribution but this is dependent on developer reported profits, which remain far from transparent.
- In Manchester eight percent of total housing development across four development sites included Section 106 agreements, accounting for £834,000 in contributions. Manchester City Council does not undertake a Section 106 evaluation that is made public (like in Salford) and so it is not possible to find or estimate the amount developers should be contributing.

Figure 2B: Map of Section 106 contribution vs no Section 106 contribution

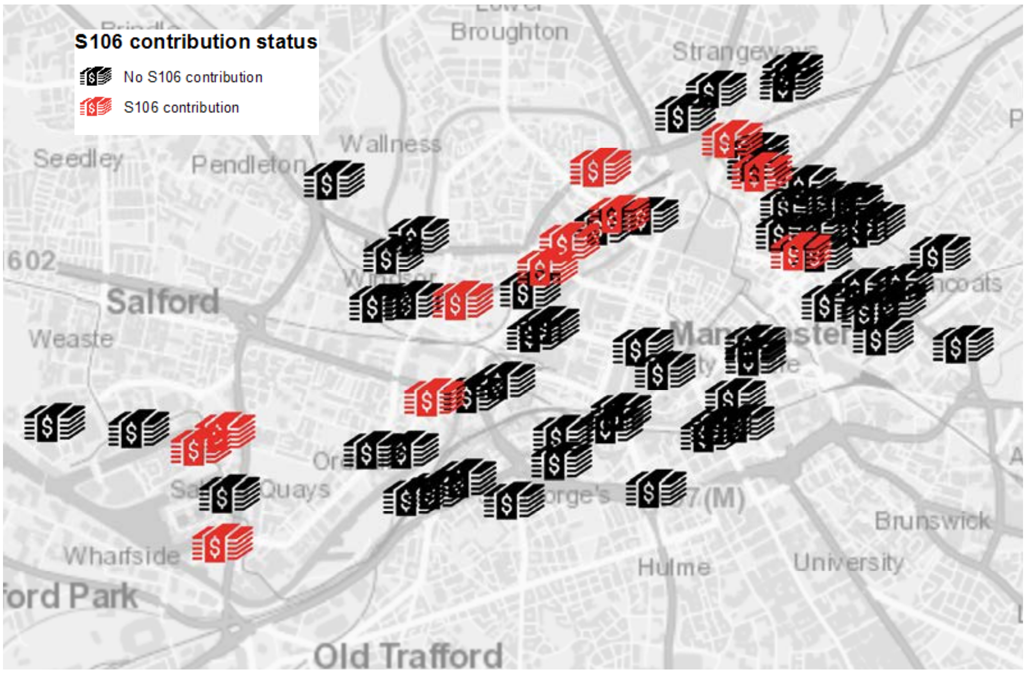


Figure 2C: Development with/without Section 106 agreement

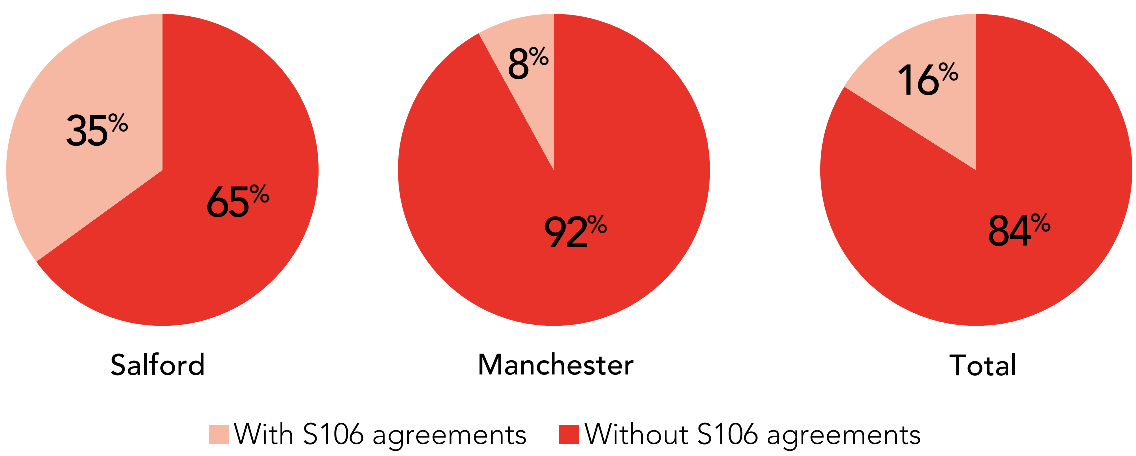


Figure 2D: Total financial contributions in Section 106 agreements (5)

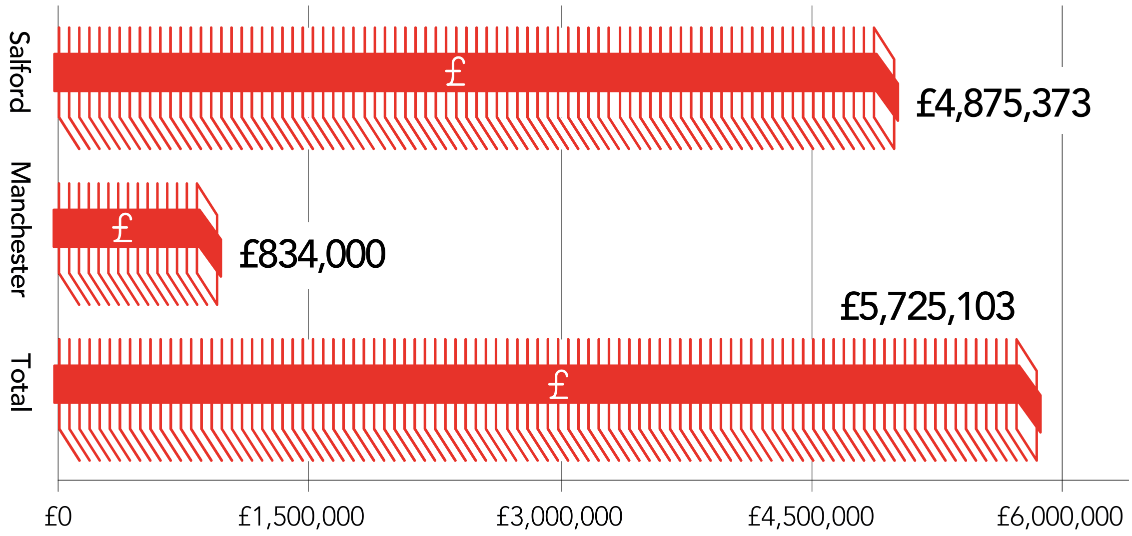
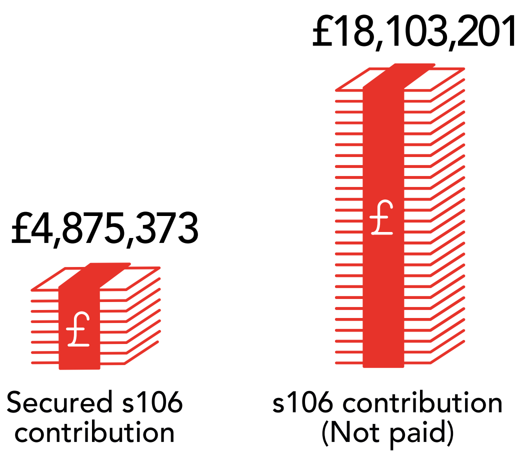


Figure 2E: Total value of Section 106 agreements in Salford vs expected



2.13 State aid to developers

Housing development is supported by various central and local government loans, amounting to state aid for a particular type of housing.

- This **financing amounts to £265 million**, supporting the construction of 5,330 units and with average financial support at £29,719 per unit, none of which are designated for affordable or social housing. Of the total, £215 million was received from Greater Manchester Housing Fund (GMHF) which has provided a series of loans to developers over the last three years with the aim that, "Developers can get a loan to kickstart housing projects that would otherwise be difficult to fund from elsewhere"[18]. The conditions of national government financing of the GMHF meant loans had to be provided to this type of market based housing.

- The rest of the government assistance, £50 million, has come from various loans available via central government. This financial assistance shows the ways that the state at both the local and national level have encouraged particular types of market orientated housing.

Figure 2F: Total public loans to developers

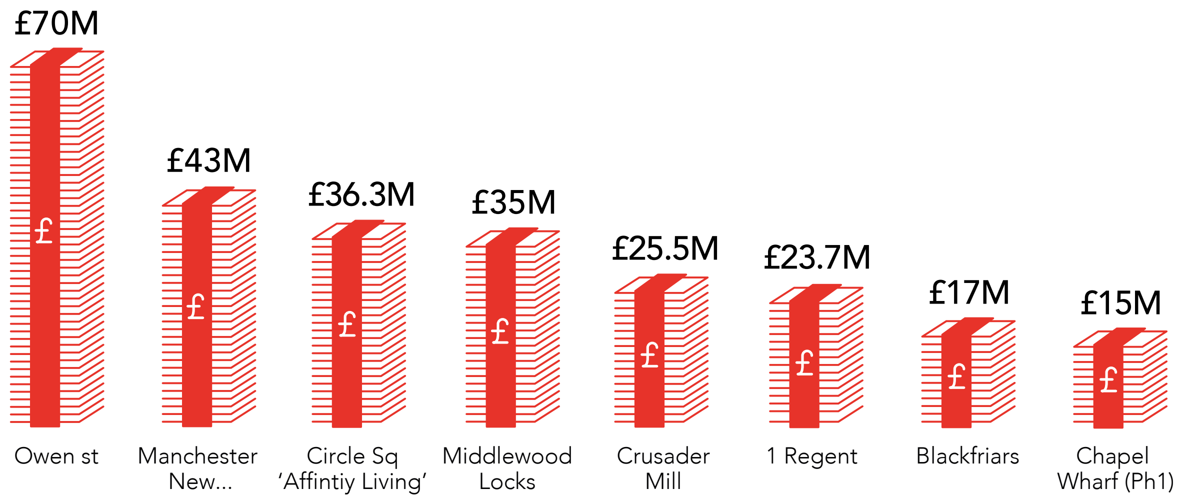
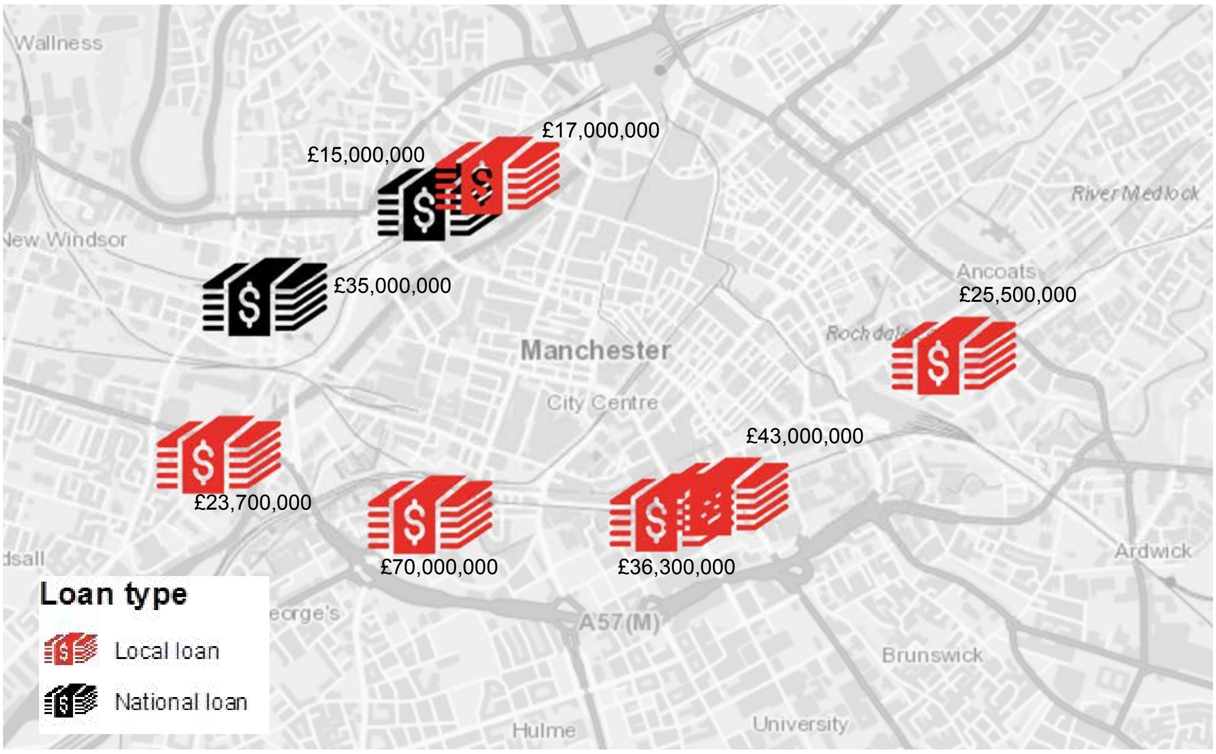


Figure 2G: Map of public loan contributions



2.2 Expansion of the rental sector

2.21 The Private Rental Sector (PRS)

There are various development types being built that reflect different types of housing tenure upon completion. They provide different ways in which the developers seek to make returns on investment. While the PRS has been the main way through which housing financialisation has been enabled there are four main types of housing development in the city-region classified in the research that can also be financed through institutional investment.

1. The Private Rented Sector (PRS): Housing developments that are built for rent. This can include developers holding onto the housing units or selling them on to an institutional investors and remain in the rental sector and as tradable assets.

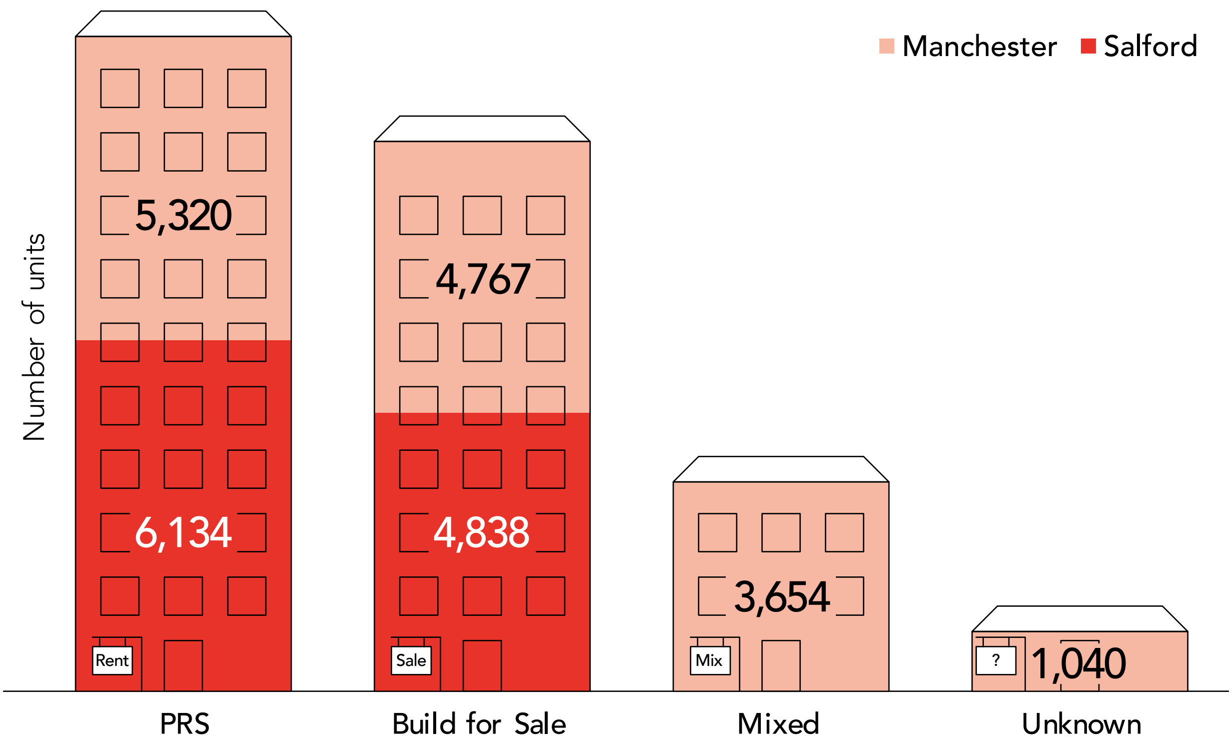
2. Build for Sale: Housing developments that are built by developers for sale to owner-occupiers, institutional buyers or to 'Buy to Let' investors.

3. Mixed - Housing developments may contain a mix of both PRS and Build for Sale.

4. Unknown: Accounts for those development sites in which the final development type remains unknown during the data collection.

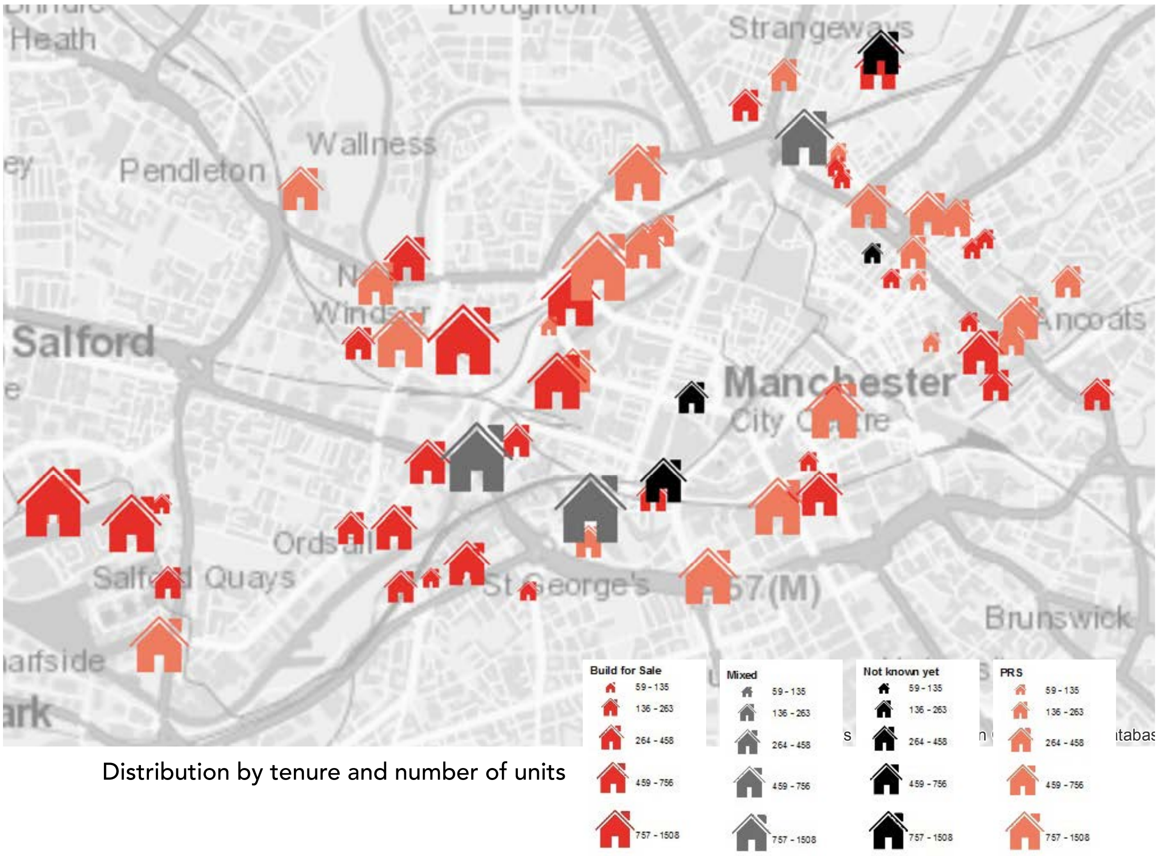
- The sample data shows that overall there are **11,453 PRS units across 34 development sites** in the Greater Manchester city-regional centre with 5,320 units in Manchester and 6,134 units in Salford, accounting for 44 percent of the total housing units. The growth of this sector, which now accounts for the most popular type provides an important illustration of the financialisation process across housing in Greater Manchester.

Figure 2H: Total housing units by type



- There are also **9,605 Build for Sale units across 38 development** sites in the Greater Manchester city-regional centre with 4,767 units in Manchester and 4,838 units in Salford, accounting for 37 percent of the total units. There are 3,654 units, accounting for 14 percent of total units that are classified as mixed and 1,040 units and 4 percent of total units classified as unknown.

Fig 2I: Map by type and number of units



Distribution by tenure and number of units

Case study of PRS: Stanley St

The Salford development, One Stanley Street is financed by PGGM, the giant Dutch pension fund which has set up a new investment vehicle with Legal and General for investing in the housing markets of various cities. The partnership will initially invest £600m into building purpose built private rental housing across the UK, providing over 3,000 new homes. The includes the phase one, £16 million pound development of 90 units to be followed by phase two, the Slate Yard, a £25 million development with another 224 units that was nearly complete in early 2018. The PRS units are advertised as, "More than just a home...Stylish homes for rent next to Spinningfields" showing how the developers use proximity to the business district and focused particularly on the the extra services and stylised living provided in PRS housing to attract potential tenants. This includes a plethora of features that are now common in the PRS housing in Greater Manchester such as resident car club, residents lounge, a pets welcome policy, housekeeping services, handcrafted furniture, cycle store, free wifi, free coffee, no fees, 24-hour site team. Such an array of extras, more common in hotels or serviced apartments, alongside the perceived locational advantages and flexible contractual terms means that one bedroom apartments will start at £925 per month. This example shows how the new models of PRS housing n has increased rental prices in the city-region.

2.22 The serviced apartment sector

Alongside the expansion of PRS housing in the city-regional centre other short-term rentals show the speed at which housing financialisation proceeds.

- The **growth of short term rentals of housing units** has become a noticeable trend across UK and international cities[19] and has contributed to broader housing pressures across and beyond the Greater Manchester city-regional centre. It is intimately tied with broader processes of housing financialisation as institutional investors and sector specialists develop increasing numbers of units aimed, not at local residents but at visitors to cities.
- The short-term rental sector is understood as comprising **two different models**. Firstly, serviced apartments or apart-hotels under single operator conditions. Secondly, private housing units that are being rented through 'sharing economy' platforms such as Airbnb, the sector leader.
- Research produced in 2016 by sector leaders the Association of Serviced Apartment Providers and STR[20] states that, "Manchester was the top performing city with 86 per cent occupancy (average daily rate of £103.60, up 6.5 per cent on 2015)." Clearly the Greater Manchester city-regional centre is a **financially attractive space for new developments of serviced apartments** or apart-hotels by the growing number of operators in the sector. Calculated on a per month basis this suggest the estimated average revenue generated from a one bedroom serviced apartment is £2695.51.

Figure 2J: Map of serviced apartments by unit size

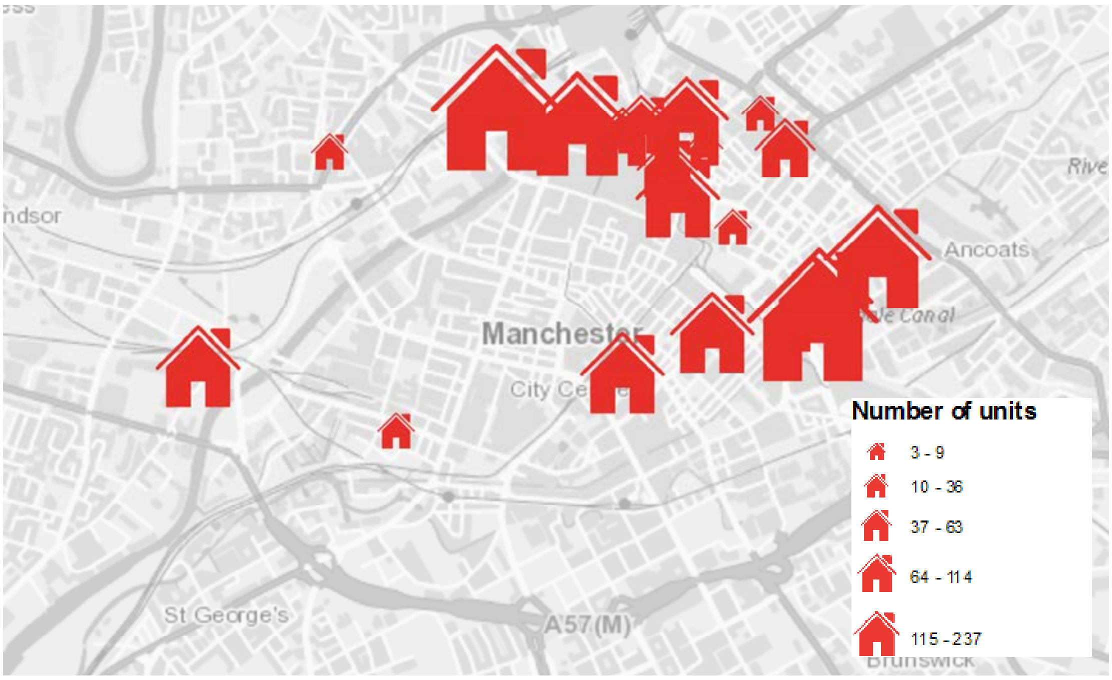
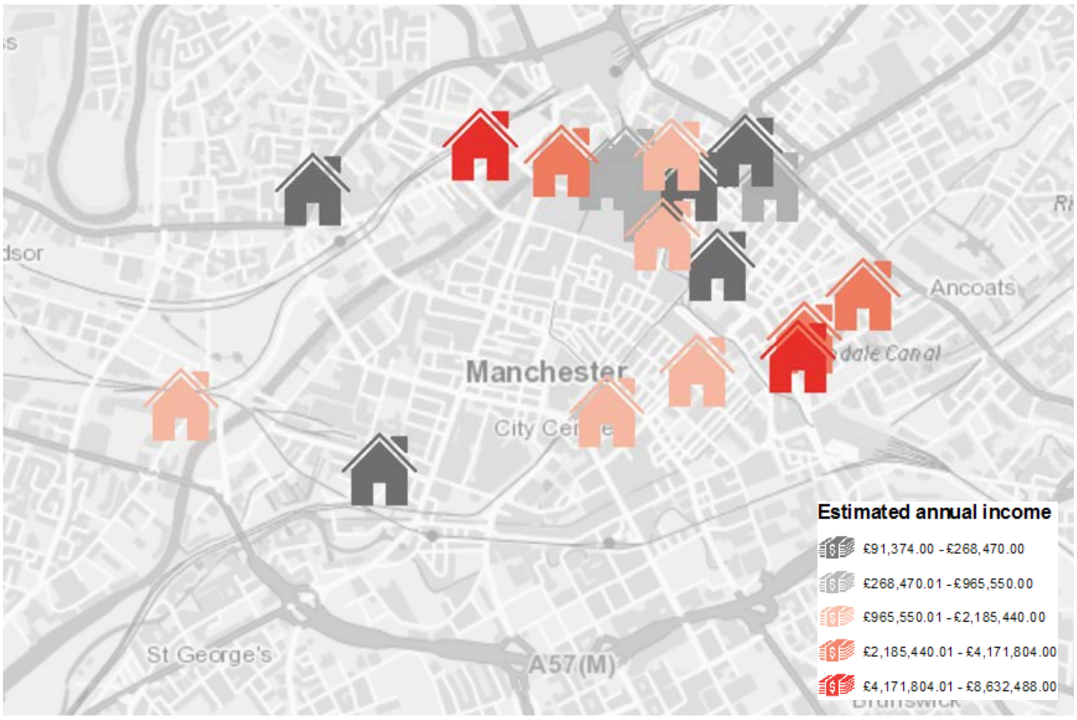


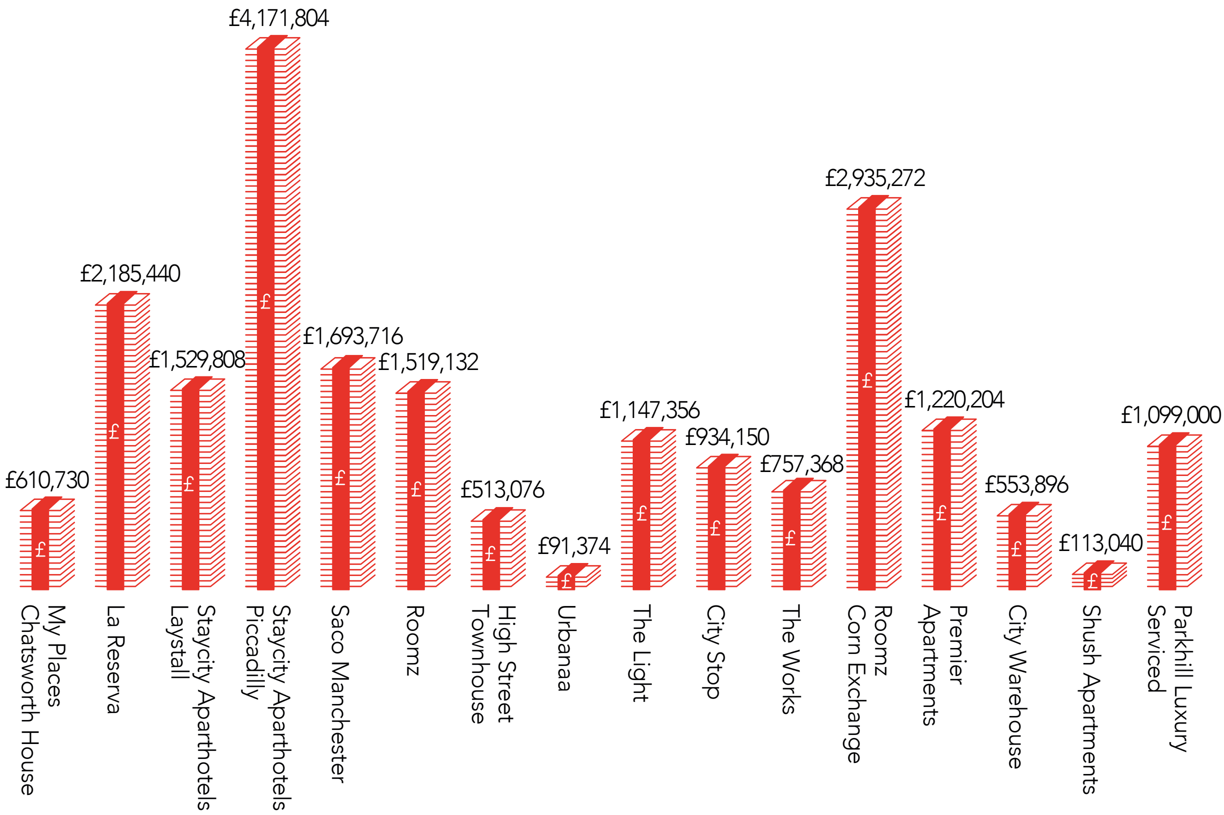
Figure 2K: Map of serviced apartments by estimated rental income



- Data collected on 22 separate serviced apartment operations incorporating **1,198 units in the Greater Manchester city-regional centre** showed similar findings to the research conducted in 2016. The average per night starting price for a serviced apartment was £99 showing that prices have continued to rise since the research produced by ASAP and STT, using the average daily rate beyond the £103.60 reported. The data showed an average monthly income per unit of £2,563 again corresponding with the ASAP and STT report and showing the benefits to institutional investors of this rental housing over build for sale or the PRS markets.

- The estimated annual revenue across all the operators is £26,763,123 in Manchester and £10,199,348 in Salford, providing estimated **revenue of £36,962,471 per year in the city-regional centre** and showing the financial returns available to investors.

Figure 2L: Estimated annual income per development



The economics of a serviced apartment block in the Northern Quarter

A proposed development of serviced apartments by Salboy Ltd shows how the financial returns available for short-term rentals means that developers are increasingly likely to choose this option over other market based housing. The developer has secured Amsterdam-based apart-hotel business Zoku to operate out of the building, being created by potentially destroying a series of historical buildings, another side effect of housing financialisation. Total revenue expected from the 122 apartments planned for this site (and based on the average daily rate/average occupancy) would be £328,842 per month or nearly £4 million per annum. This compares to the average rental value of non-serviced apartments in the M4 postcode area (in which the new development sits) of £1,013 per month[21]. The differential in average rates per month, between a serviced apartment and a non-serviced apartment is £1682.51. Across the 122 apartments and **over the course of the year the developer would be expected to generate an extra £2.46 million in revenue** Such financial returns show why the developer Salboy Ltd would choose the serviced apartment option despite the extra financial pressures, neighbourhood problems and housing demand issues being created in the Northern Quarter.

2.23 Airbnb

Airbnb has introduced many city-dwellers to the idea of the 'sharing economy.' Through what has come to be known as 'platform technologies' proponents have pushed the idea of these technologies being able to disrupt existing sectors such as housing.

- By offering people the ability to rent their private homes out for various periods of time Airbnb has pioneered a new way in which homes can be transformed into a space for generating revenue. Whilst **short-term rentals are needed in any city** the scale of housing units that have been allocated for such purpose means that Local Authorities should consider regulating and limiting supply

- In **central Manchester there are a total of 310 units** advertised on Airbnb. The average price per night for an entire property is £143.66, with the highest being £1251. There are 109 properties listed as private rooms and 195 listed as an entire unit.

- There are 177 'hosts' operating Airbnb proprieties in central Manchester with **59 of these hosts owning multiple properties and accounting for 62 percent of all listed units**. It is likely that many of these 'hosts' are individuals with multiple property ownerships or set up as small businesses, using housing in central Manchester as a business rather than as homes and unlikely to be operating to any licensing or planning permissions.

- The growth of Airbnb proprieties in Central Manchester **creates another pressure on rents** in the city-region as it removes units from the rental market.

Fig 2M: Map of Airbnb properties in Central Manchester

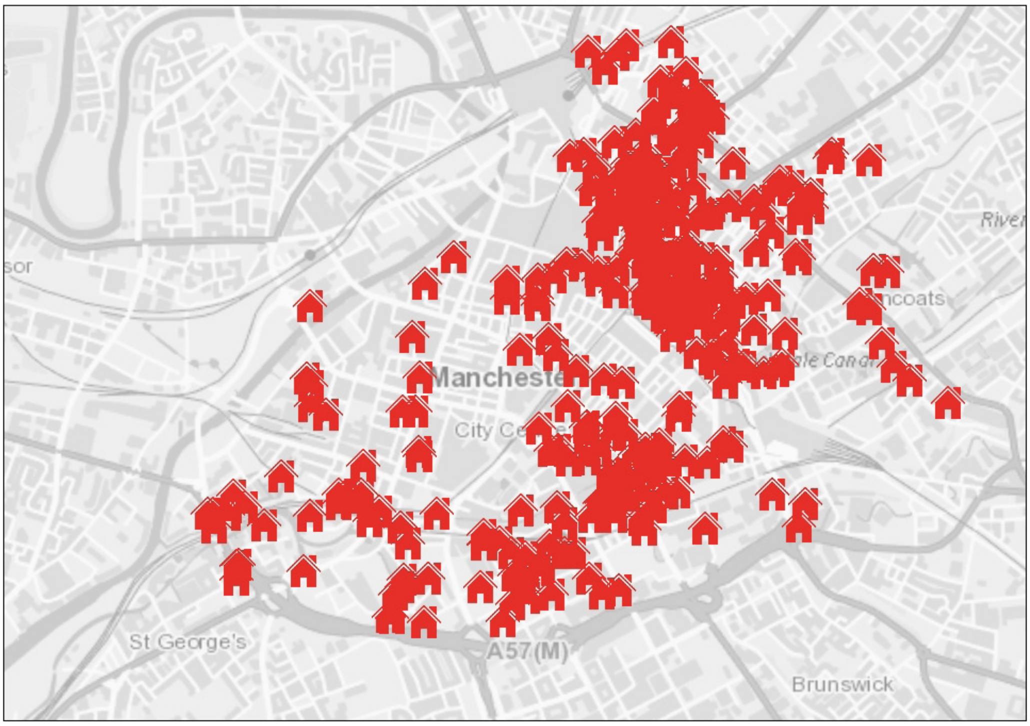
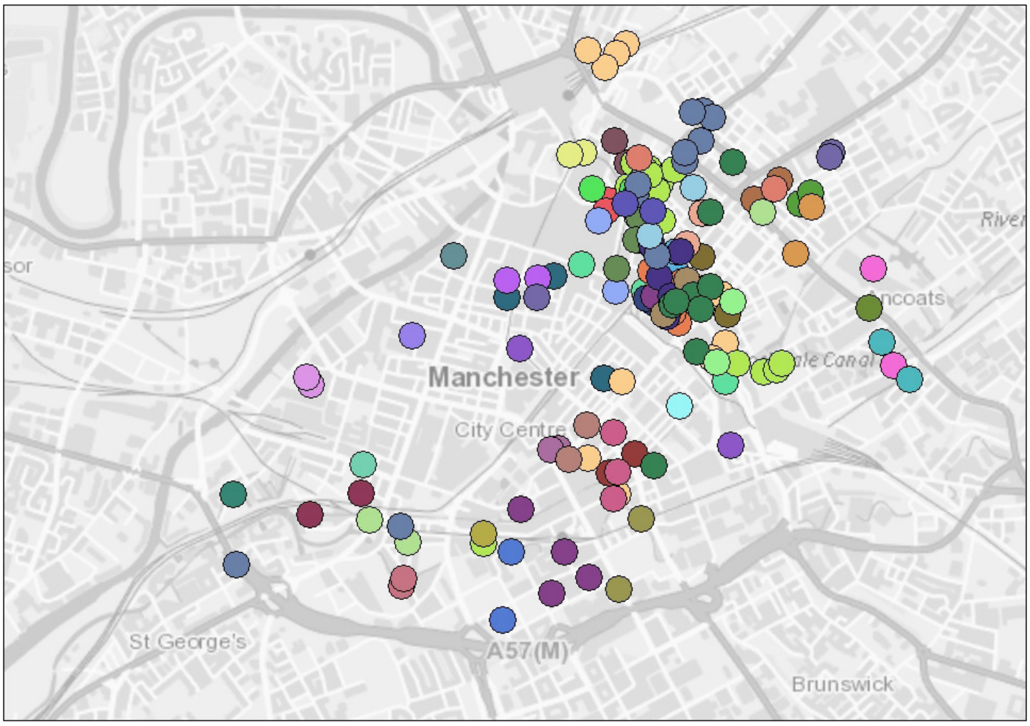


Fig 2N: Map of all multiple ownership Airbnb properties



2.3 Increasing involvement of financial actors in housing

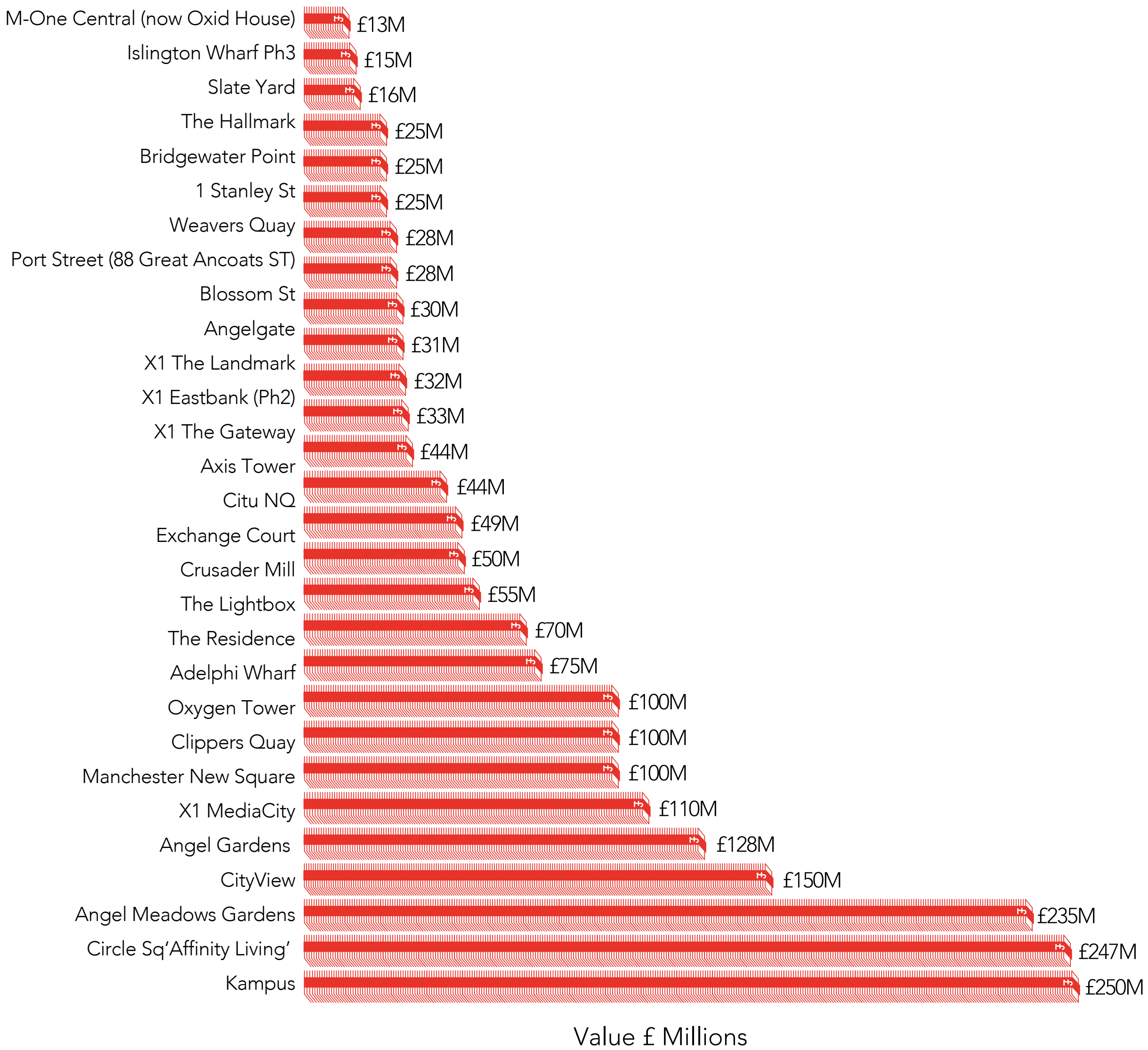
A crucial and visible component of housing financialisation is the increasing involvement of financial actors in housing.

Data was collected to ascertain the financial value of current housing developments being undertaken[22] across the city-regional centre. In total data was collected concerning **29 development sites**[23]**, amounting to £2.13 billion of development** or an average of £74 million per site. If this average figure was extrapolated across the 79 development sites in the sample it would total £5.85 billion. The scale of these finances show the sheer amount of investment that is flowing into housing development in the Greater Manchester city-regional centre and both the result and reason why financial actors are now closely aligned to housing.

- The investment opportunities mean that a range of new financial actors are now involved in housing in Greater Manchester. This includes **institutional investors** such as Legal and General, a multinational financial services investor in a partnership with a Dutch pension fund to develop 315 PRS housing units.

- There are a variety of UK based funds, such as Grainger which promotes itself as 'a leading institutional UK residential investment vehicle' financing over 600 PRS housing units at Clippers Quay, Salford Quays. These **new financial actors are acting as investment vehicles to support local and national developer**s. However, there is also evidence of new financial actors that are directly involved in the developments. They include local wealthy individuals such as Fred Done and his company, Salboy, Ltd. a privately owned equity investment company. Financed from the profits of his gambling empire, BetFred, the company provides an example of how the increasingly marketised housing sector in Greater Manchester draws in new financial actors who might not previously have operated as developers.

Figure 2O: Graph of value of development sites (£millions)



- Alongside these institutional investors are the developers themselves. There are **13 developers building 76 percent of the total housing units** in the Greater Manchester city-regional centre or 19,532 units. This data shows how the larger developers have come to dominate property-led regeneration, often forging close relationships with Local Authorities. There are 26 developers building the remaining 24 percent or 6,041 units of total housing units.

- Much of the **financing behind these developers remain opaque** with little indication of how they are raising capital. For example, Renaker, one of the most active developers in the city-region and responsible for multiple proposals is a private company and release very little information about their finances, despite receiving government loans.

Figure 2P: The big '13' developers operating in Greater Manchester city-regional centre.

2.4 Accelerating international finance into housing

2.41 Large scale international investment

Much of the accelerating international finance in housing Greater Manchester originates from institutional investors from across the globe.

- In total **7,634 units are being at least partly financed through international actors** across various institutions[24] and represent a total of 30 percent of all housing development in the Greater Manchester city-regional centre. In Salford there are 3,261 units and Manchester 4,373 units being developed through international finance, incorporating a total of 22 development sites, of which seven are in Salford and 15 in Manchester.
- Breaking down this involvement by type shows that PRS housing is the main mechanism through which international finance is operating within the city-regional centre. **International finance accounts for 47 percent of PRS housing units in the development pipeline**. This represents 36 percent of PRS housing in Salford and 55 percent of PRS housing in Manchester.
- The involvement of **international finance is lower for Build for Sale development incorporating 13 percent of housing units**, representing a total of 1,716 units. This includes 17 percent of total Build for Sale units in Salford and 12 percent in Manchester. Clearly, the development of PRS housing has provided a key means through which actors are able to direct large scale investment into the built environment of the city-region.

Figure 2Q: Involvement of international finance in housing development (Overall)

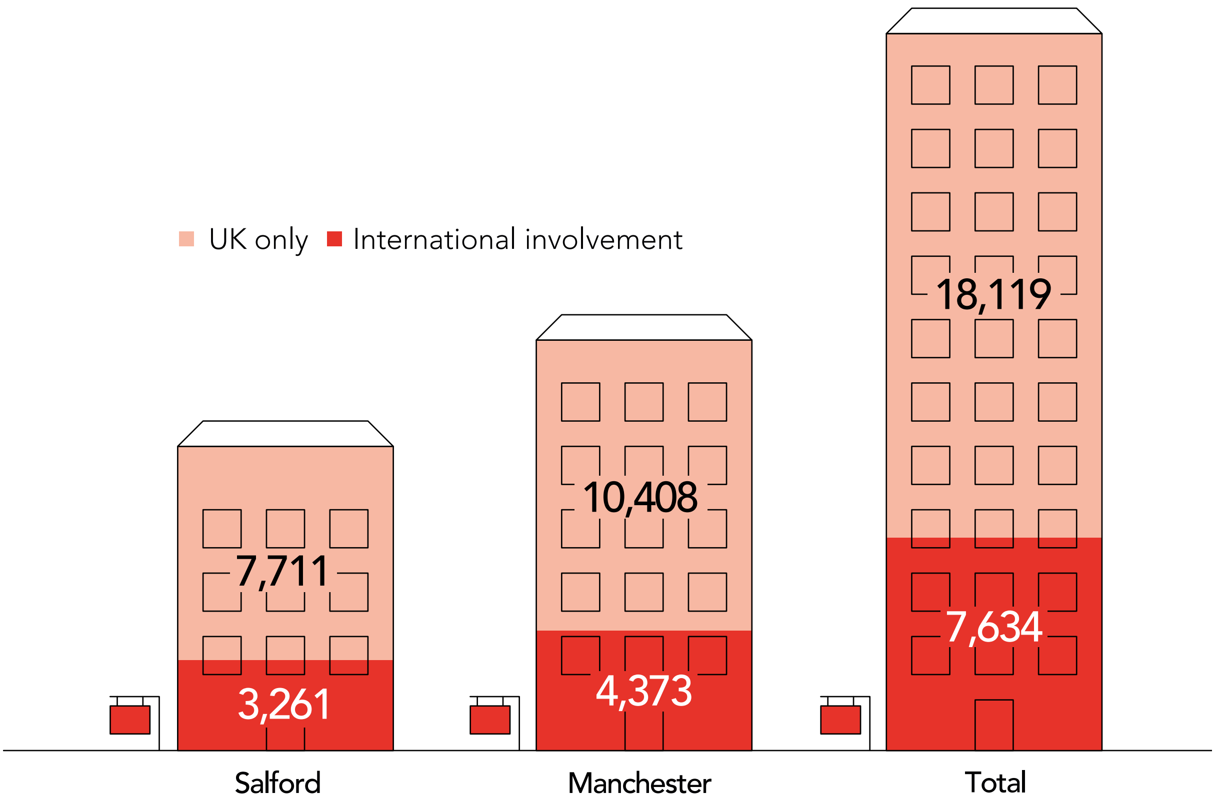


Figure 2R: UK versus international finance (PRS Sector)

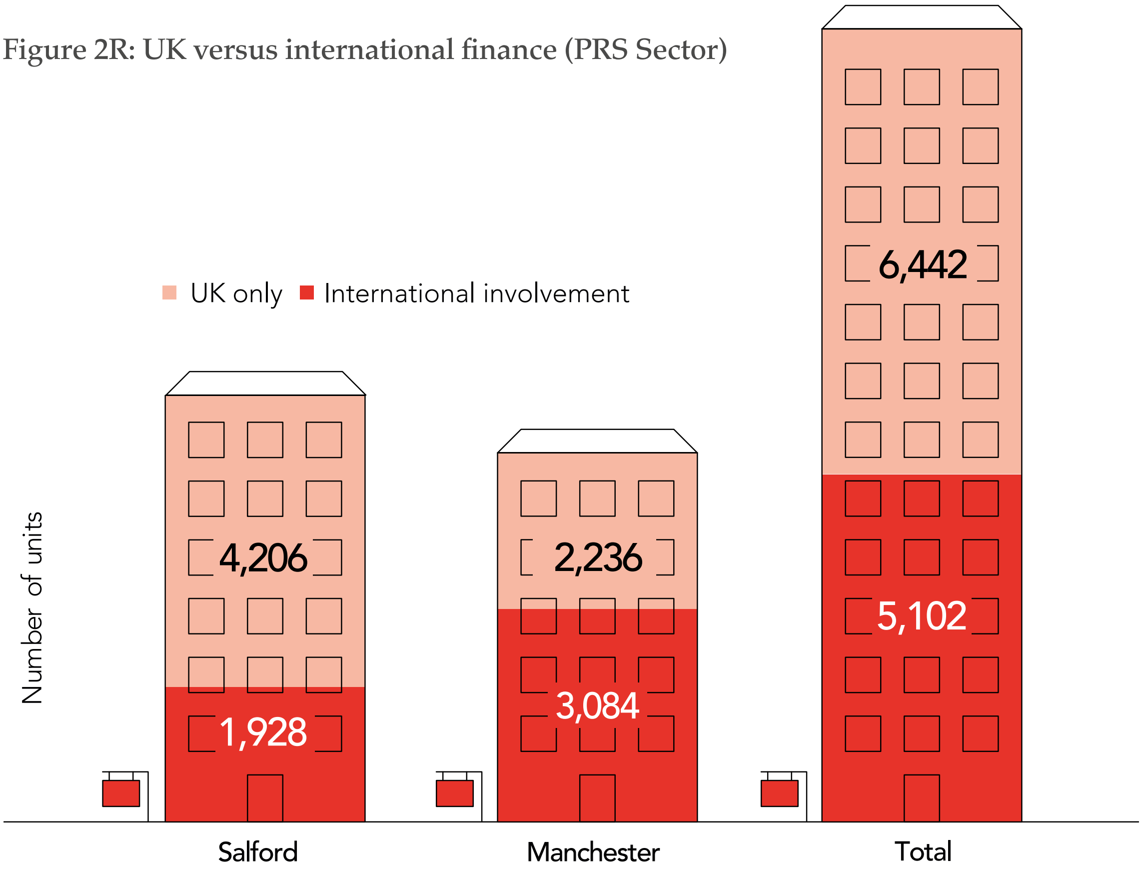
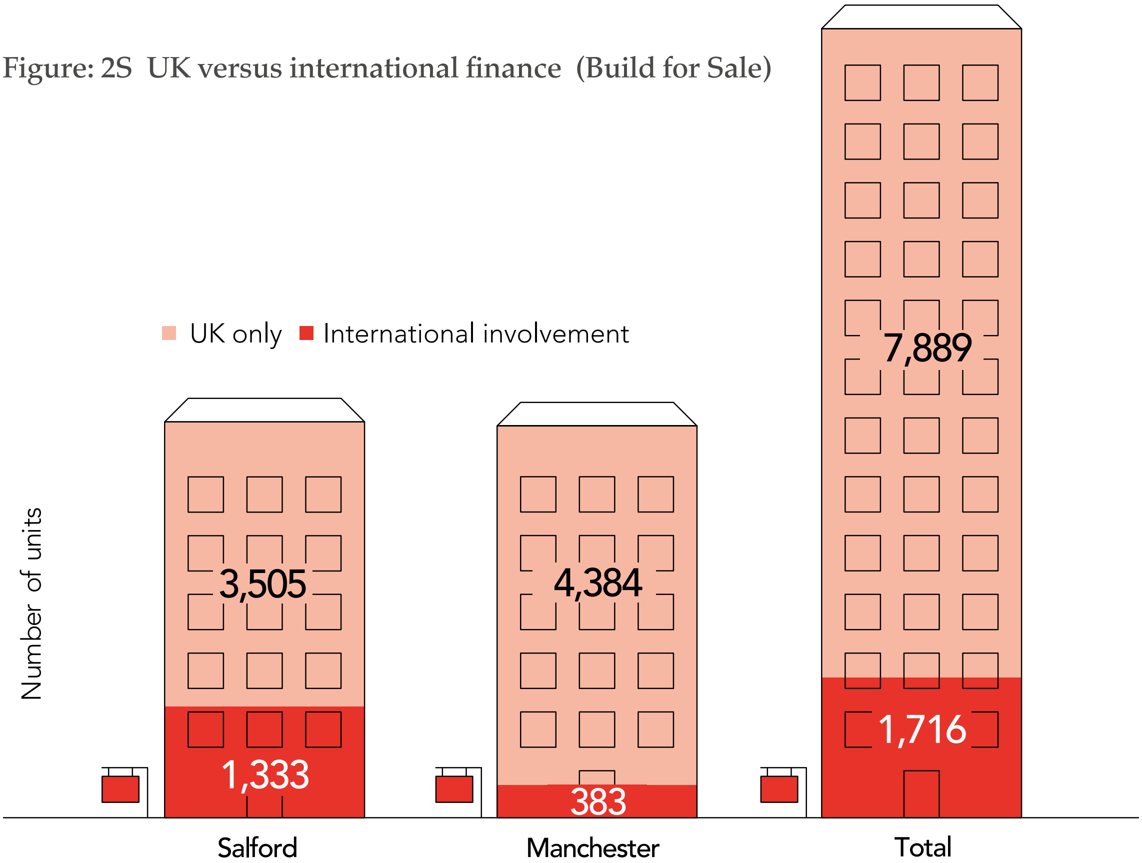


Figure: 2S UK versus international finance (Build for Sale)



2.42 The new international financial actors

Alongside the growth of PRS housing the increasing involvement of financial actors, particularity from beyond the UK shows how housing has been transformed and marketised

- The institutional investors active in the city-region most **clearly demonstrate how housing has been turned into an asset for international finance**. From Chinese state-owned construction companies through German banks to Singaporean tycoons many developments are now financed from institutions that span the globe.

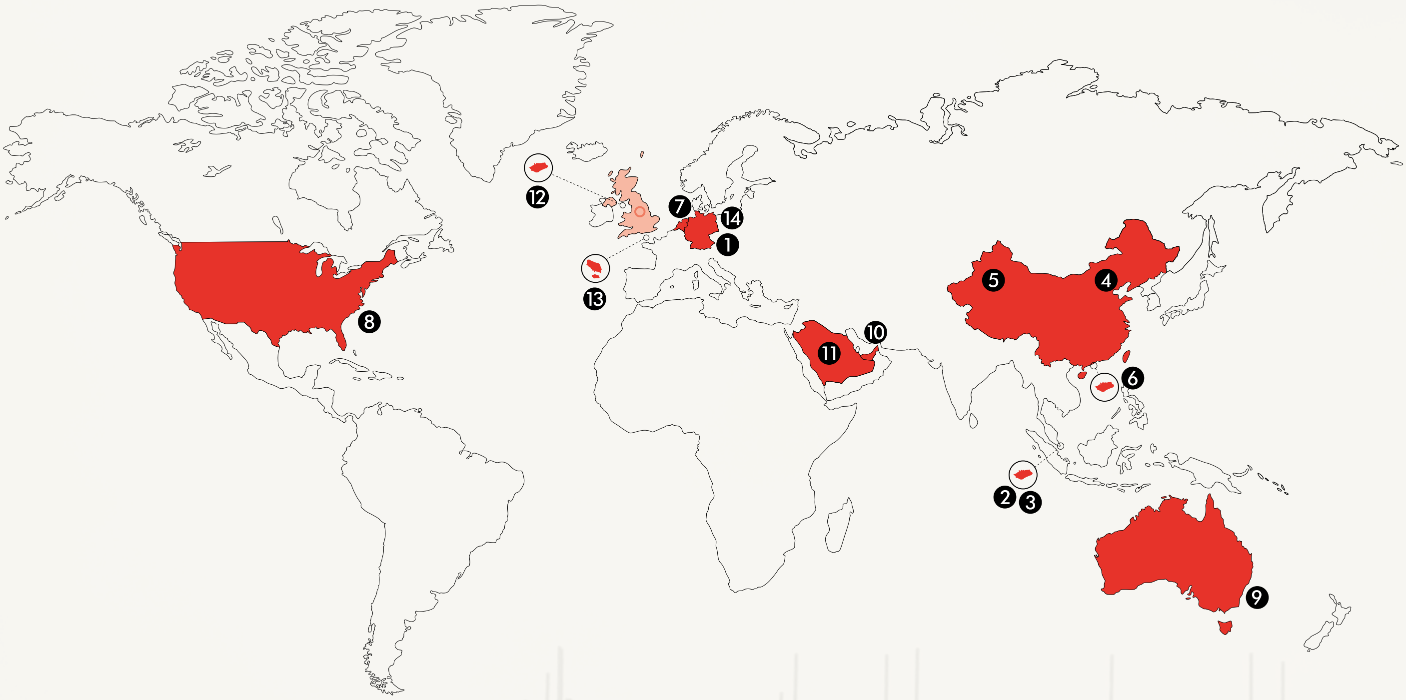
- The **collective financial holdings of these international actors is staggering**, representing billions of pounds of surplus capital seeking new investment opportunities. They include some of the wealthiest institutions and individuals on the planet. Take for instance the Abu Dhabi United Group reportedly part of the United Arab Emirates sovereign wealth fund, the Abu Dhabi Investment Authority, which manages over $2.519 trillion of assets[25].

- Other new financial actors include **pension funds** such as PGGM a Dutch fund with total assets of €161.7 billion[26]. **Specialist real estate investment funds** are another key new actor operating in Greater Manchester. For instance Patrizia, is a German institutional investor in real estate with a portfolio of property totalling over €21 billion[27] managed for over 200 clients.

- There are also companies such as Rowsley Ltd majority owned by **high wealth individuals**, such as Peter Lim, a Singapore tycoon estimated to be worth $2.3 billion[28].

- These new, international financial actors join a growing number of institutions involved in the housing market in Greater Manchester and illustrate how the financing of housing has undergone a dramatic and important transformation since 2014, when these actors became deeply involved in the city-region.

Fig 2T : Maps showing the locations of new international financial actors in Greater Manchester



❶ Patrizia/Germany

- Based in Augsburg, Germany and founded by Wolfgang Egger.
- Provides opportunities for global institutional investors in real estate.
- Portfolio over €21 billion.

Involved in First Street development.

❷ Rowsley Ltd/Singapore

- A real estate and investment company operating in various markets.
- Singapore listed company, majority shareholder is Singaporean billionaire Peter Lim.

Involved in the St Michaels development.

❸ Metro Holdings/Singapore

- Listed on the Singapore stock exchange, 25 different companies net assets of £75 million
- A property development and investment group focused on development in China
- Acted to secure further investment from China.

A 25 percent stake in the Middlewood Locks development.

❹ Beijing Construction Engineering Group/China

- Established in the 1950's to deliver Chinese foreign aid projects , especially in Africa.
- A top 50 global construction company active in over 20 countries.

Involved in the St Michaels (21% holding), Middlewood Locks (as construction company) and Airport City developments.

❺ Hauling Group/China

- Private sector business based in Xinjiang Province in 1988
- Over $500 million of investment in Georgia as part of One Road, One Belt initiative

A 25 percent stake in the Middlewood Locks development.

❻ Far Eastern Consortium/Hong Kong

- Registered 'offshore' in the Cayman Islands, a 'secrecy jurisdiction'.
- Headquartered in Hong Kong and listed on the HK stock exchange.
- Majority controlled by the Chiu family.
- Preferred developers for 10,000 housing units in the Northern Gateway on public land.

❼ PGGM/Holland

- Second largest pension fund in Holland with total assets of €161.7 billion.
- Set up in 1969.
- Set up £600 million fund with Legal and General to build PRS across UK.

Involved in Slate Yard and 1 Stanley Street developments.

❽ Ares Management /USA

- Ares Management, L.P. is an American publicly traded, global alternative asset manager.
- Focused on alternative strategies, including credit, private equity, and real estate activities.
- Total assets of $5.83 billion.

Financial backing for Kampus development.

❾ Lend Lease/Australia

- Lendlease Group is a multinational construction, property and infrastructure company.
- Founded in 1958 and headquartered in Barangaroo, Sydney.
- Nearly $700 million of net income in 2016.

Involved in Potato Wharf development.

❿ Abu Dhabi United Group/Abu Dhabi

- UAE based private equity company owned by Sheikh Mansour bin Zayed Al Nahyan.
- Founded as part of take-over of MCFC.
- Reportedly part of the UAE sovereign wealth fund managing $2.519 trillion of assets.

Involved in a partnership with Manchester City Council, Manchester Life, developing 10,000 housing units over next 10 years.

⓫ Olayan Group/Saudi Arabia

- Saudi conglomerate established in 1947[] by Sulaiman S. Olayan with 35,000 employees.
- Owns 25 percent of the Peel Group.
- Valued at more than $10 billion.

Involved in the Lightbox and other future projects through Peel.

⓬ Peel Group/Isle of Man

- Peel Group is one of the leading infrastructure, transport and real estate investors in the UK.
- Collective assets of over £5billion, John Whitaker owns 75 percent.
- Registered in Isle of Man for tax purposes.
- Accused by the Public Accounts Committee of not paying enough corporation tax.

⓭ Loom Holdings/Jersey

- An offshore vehicle for investment by ADUG and partnership with Manchester City Council.

Involved in numerous developments in Ancoats.

⓮ PBB Deutsche/Germany

- A leading European specialist bank for real estate financing and public investment finance.
- Nationalised as part of Hypo Real Estate Holdings in 2008 financial crisis before resale by German national government.

Provided a four-year, £85m senior debt facility for the Angel Gardens scheme.

2.43 Financial arrangements: New deals and tracing flows of finance

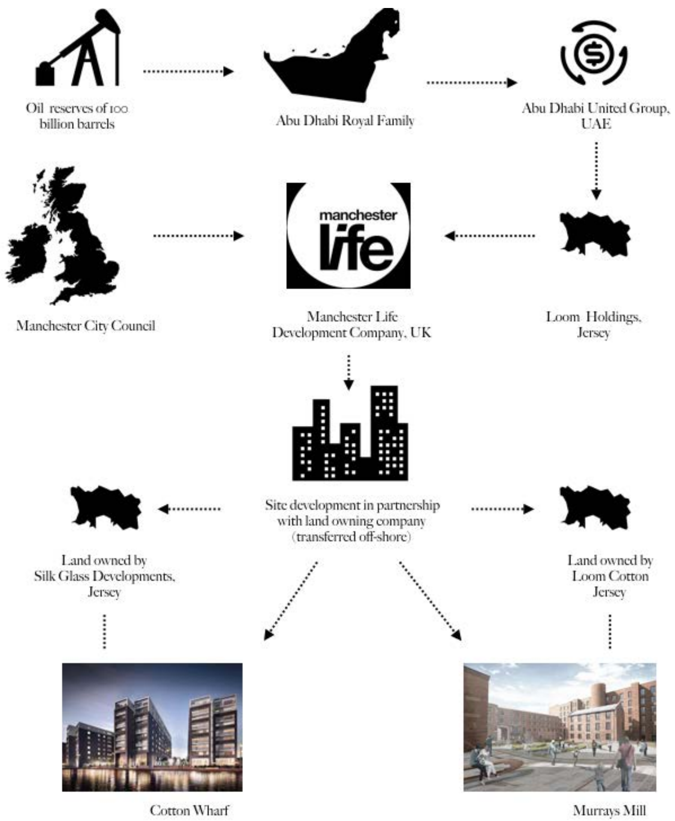
Development of housing in Greater Manchester relies on a range of different financial arrangements and partnerships between UK developers and international financial actors.

- Many of the **sources of finance remain concealed or difficult to trace** but extend across the globe. The new deals and partnerships between these international and local actors, sometimes involving public bodies and complicated financial arrangements that are often unaccessible to the public.

- There are over a thousand apartments being constructed or in the planning process (with 10,000 in the pipeline over the next decade) mainly aimed for the PRS market by **Manchester Life**. This is a development company set up by Manchester City Council and the Abu Dhabi United Group. ADUG is a United Arab Emirates based private equity company owned by Mansour bin Zayed Al Nahyan, deputy Prime Minister, Minister of presidential affairs, board member of the Supreme Petroleum Council and brother of Abu Dhabi's Crown Prince.

- ADUG's involvement in Manchester Life is via a company, **Loom Holdings Ltd based, in the 'secrecy jurisdiction' of Jersey**. Building on the ownership of Manchester City Football Club by ADUG, such development illustrates the entangled and growing relations between the Local Authorities and various global political and financial interests. Financing of the company is likely to originate in Abu Dhabi, which holds nine percent of the world's oil reserves, at nearly 100 billion barrels and up to five percent of the world's natural gas accounting for 5.8 trillion cubic metres[29].

Fig 2U: The financial arrangements of Manchester Life



- There are also transparency issues involved in the Manchester Life company, with each parcel of land being owned by a Jersey based company it is unclear what tax requirements the company is able to avoid, what the reasons for registering companies in Jersey is and why it is done in this way. The public should be able to scrutinise the financial and institutional arrangements.

- As the local campaigning group, Steady State Manchester have observed,"The details of the deal remain completely opaque – to those of us outside the 'golden circle' anyway. How much money is the Abu Dhabi company putting in, and what do they expect to get out of it?"[30].

- Another example is the St Michaels mixed-use, 350 unit development part financed by Rowsley (and also including ex-footballers Gary Neville and Ryan Giggs, alongside the Chinese state owned construction company Beijing Construction and Engineering Group). Rowsley is a Singaporean company, majority owned by Peter Lim. The billionaire made his initial fortune through selling Wilmar in 2010 after two decades of ownership, generating $1.5 billion that has likely been reinvested into property development. Wilmar is an Indonesian palm-oil company. It has been accused by Greenpeace[31] of multiple environmental crimes implicated in the illegal clearance of land for palm oil agriculture. Activities of concern have included setting fire to deep peatland, wholesale destruction of rainforests and encroachment in national parks across Indonesia that threaten the extinction of the Sumatran tiger. Furthermore, Amnesty International (2016[32]) report severe injuries experienced by workers on the palm oil plantations due to the toxicity of paraquat, a chemical being used to increase yield that is banned by the EU. In tracing the potential financing of St Michaels development to these **human rights violations and environmental destruction thousands of miles away** it is possible to see how housing in Greater Manchester becomes entangled in a range of important global issues.

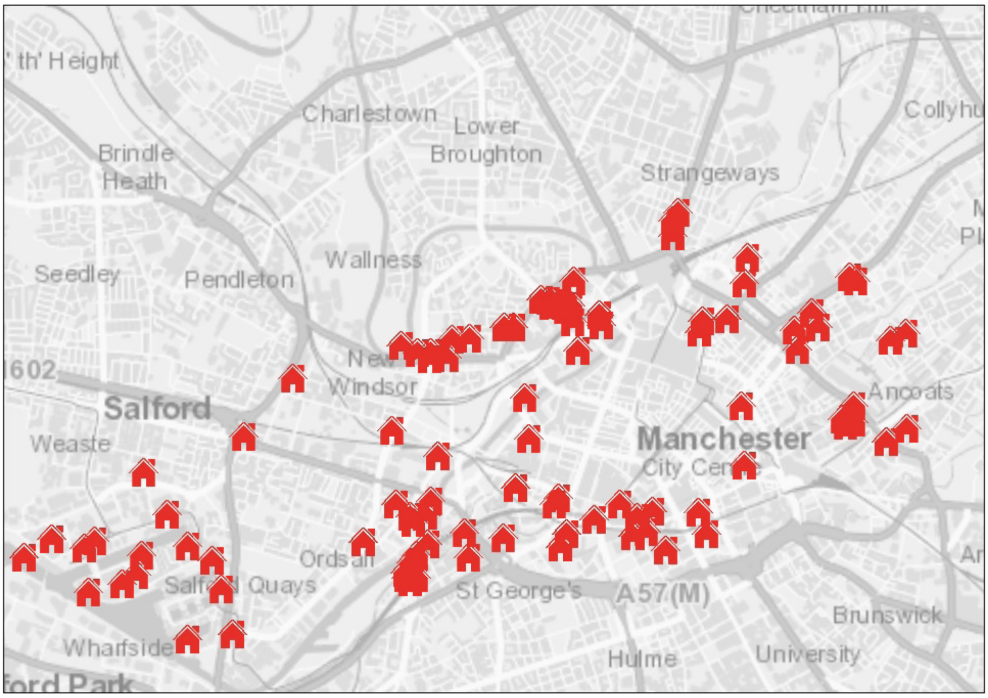
2.44 Smaller scale international investment

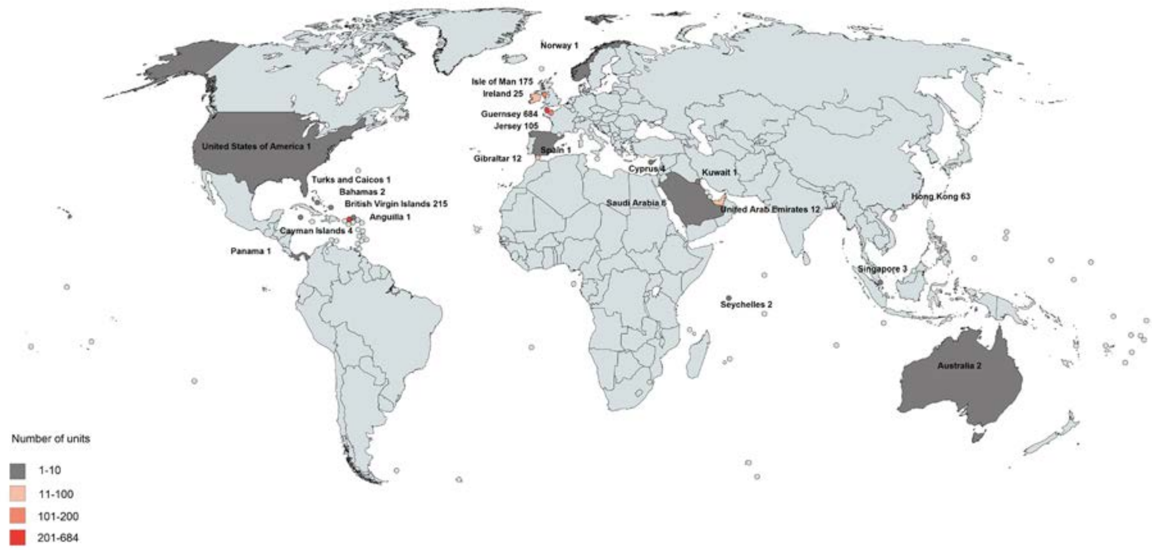
It is not only large institutional investors using PRS housing to invest in the city-region's housing, with a range of smaller scale, international investment also present.

- The leasehold for **1,318 housing units in Greater Manchester city-regional centre are owned by international commercial organisations** and mainly concentrated in central Manchester with 1,056 units compared to 262 in Salford. Ownership spans twenty different countries with the main countries including 'tax havens'[33] such as Guernsey (682), British Virgin Islands (214) and the Isle of Man (175).

- **Over eighty percent of these housing units (1,197) have been purchased through these 'secrecy jurisdictions'** which as Anna Minton explains are used to create,"shell companies which cannot be traced back to their original owners and which are registered in offshore locations"[34]. These companies may be owned by UK based individuals or companies seeking to limit exposure to UK tax requirements by using these 'secrecy jurisdictions'.

Fig 2V: Maps showing housing units owned by an international companies in Greater Manchester city-regional centre





- It is likely that the data provided by the **Land Registry is only a limited snapshot** as it only incorporates international ownership of housing units with registered companies, rather than individual buyers. Evidence of individuals based overseas purchasing housing units is more difficult to ascertain beyond the observations some estate agents have offered. But there are some examples that offer an interesting perspective.

- One Cambridge Street has 99 apartments that are registered in the British Virgin Islands by two companies, OFY LIMITED and ISTORIA LIMITED. But an investigation by the Times newspaper, (necessitating the purchasing of expensive data on each housing unit) revealed that **94 percent of the 282 units were owned by overseas buyers** from 18 different countries[35]. While it is not wise to extrapolate this example across the city-regional centre it does add to the sense that international investment in Greater Manchester is accelerating and that the landscape of financing is significant, diverse and not fully understood by Local Authorities.

2.45 Greater Manchester for sale

Increasingly, developers are marketing and selling housing units beyond the UK as Greater Manchester is put up for sale. The marketing of housing units as investment opportunities incorporates the Buy to Let sector. It provides more evidence of the financialisation of housing in the Greater Manchester city-regional centre.

- Of the Build for Sale housing units there is evidence[36] of **78 percent being marketed internationally**, representing 7,452 units or 4,141 in Salford (86 percent) and 3,311 (62 percent) in Manchester.

- Evidence of housing developments being marketed internationally incorporates **38 different sites**[37] and shows that even though this type of housing is considered as Build for Sale much of it will end up in the 'Buy to Let' sector as international sales continue to expand.

Figure 2W : Picture of one Cambridge St

- The high number of housing developments being marketed and sold internationally means new housing units being built in Greater Manchester are already **sold 'off-plan' before they even become available for local residents**. Seminars in countries such as Singapore and China[38] by international property consultants explain, often to smaller scale investors (such as the emergent middle class) the benefits of investing savings into the housing market of Greater Manchester.

- Rates of return through managed 'Buy-to-Let' opportunities are promised;. these **financial returns on new housing do not always appear** for these investors based thousands of miles away. This is illustrated through the collapse and subsequent legal battles concerning the Angelgate development with over £30 million owed to investors, mainly from Hong Kong[39].

Figure 2X: Evidence of development sites being marketed abroad

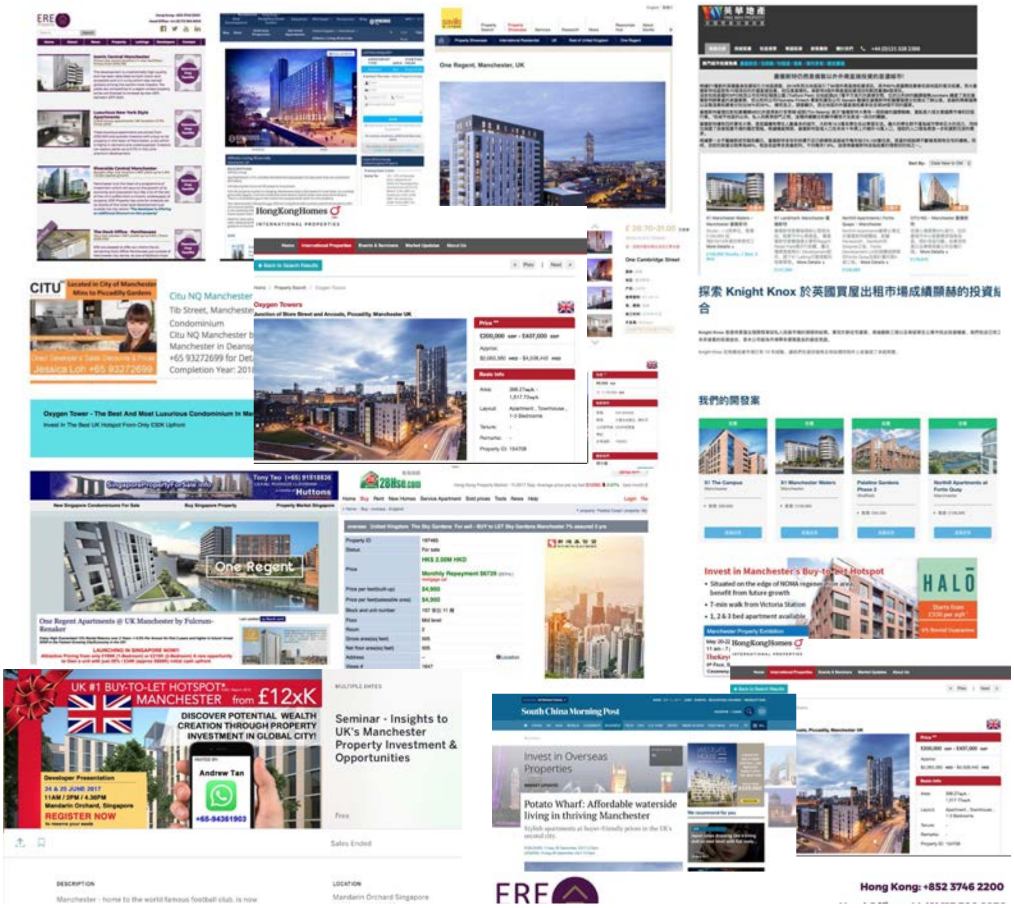


Figure 2Y: Evidence of international marketing

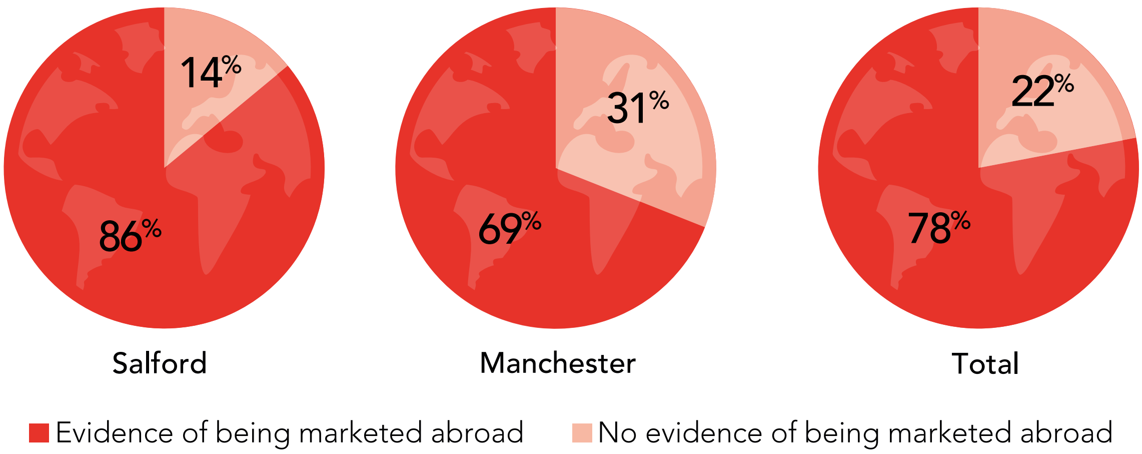
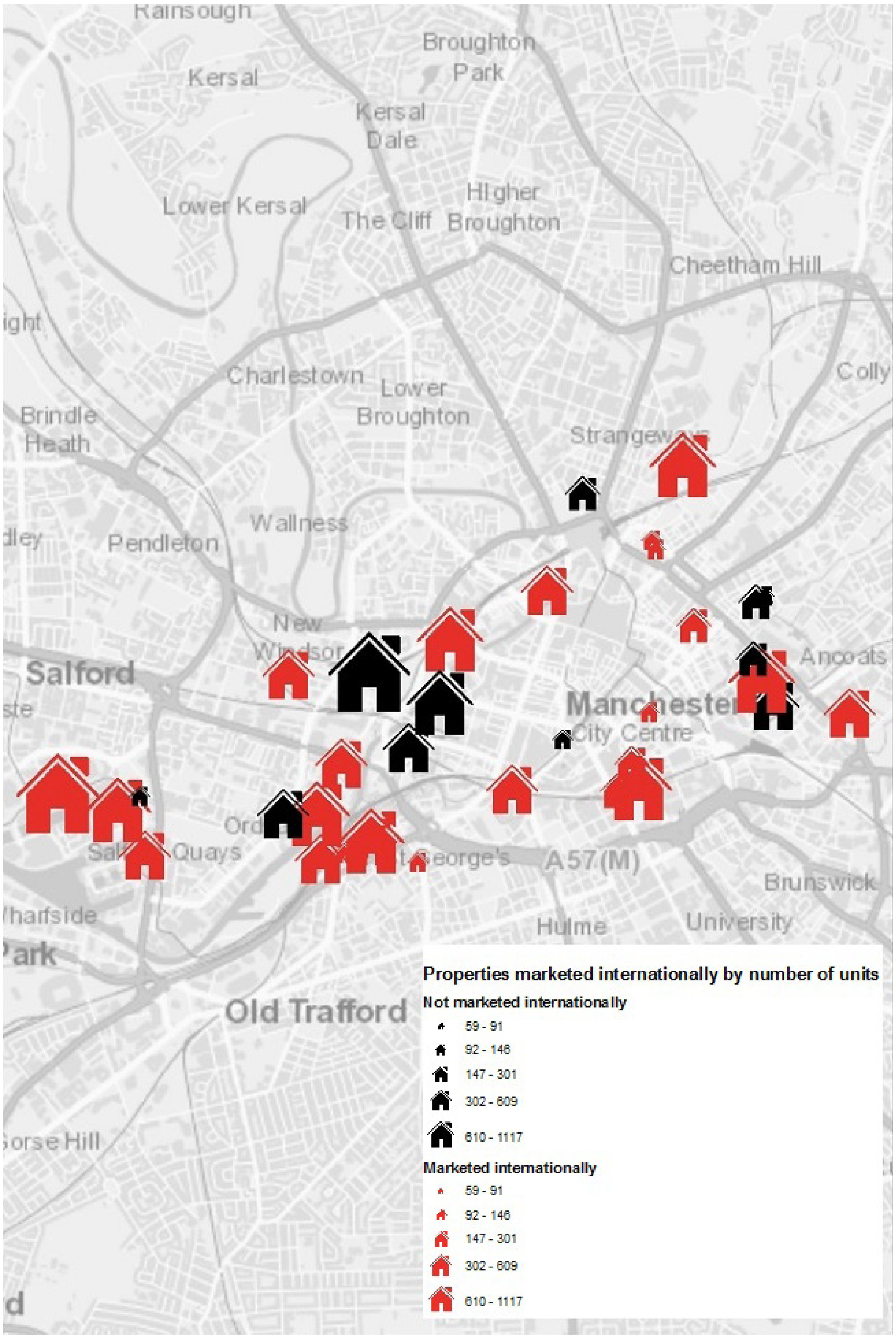


Figure 2Z: Map of development sites marketed overseas vs not marketed overseas

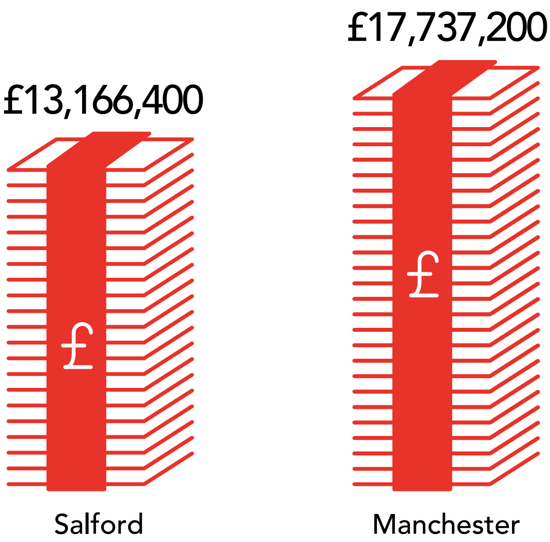


3. The impact of housing financialisation

3.1 Local economies

The lack of contributions provided through Section 106 agreements or the delivery of affordable housing means that **many of the benefits of housing have been taken away from local residents and communities to provide millions in profits for developers** and the new financial actors using this housing as an asset in multi-billion pound portfolios. And yet, when considering the amounts secured through Section 106 agreement, there seems to be different approaches between the two Local Authorities, with Salford City Council more active in securing financial contributions and showing that political will can be an important factor in how much money is collected.

Figure 3A: Estimated (minimum) projected contribution to Council tax from 25,753 new apartments



- It is important to note that new **housing developments also provides positive effects** for the city-regional centre, providing a rationale why Local Authorities might choose not to impose developer requirements. This includes revenue for Councils through ongoing payments of Council Tax. The minimum contribution for such revenue was calculated based on a rate of £1200 per annum for a one bedroom apartment. **As such a minimum estimated contribution of Council Tax totals £30,903,600 per annum from the 25,753 units.** Salford City Council can be expected to receive upwards of £13,166,400 and Manchester City Council upwards of £17,737,200 per annum. It is expected that these figures will be higher due to units with two or more bedrooms and the attendant increase in Council Tax payments.

- This is a **significant contribution to local services in the context of ongoing austerity** and local government cuts that have been implemented by the Conservative Government since 2010 and has left Local Authorities in a state of financial crisis. For instance the Manchester Evening News reports in December 2017 that "Manchester town hall is facing a £5.5m overspend due to soaring numbers of homeless people and vulnerable children going into care”[40] one small example of the devastating impact of cuts in Greater Manchester. The search by local government to find alternative sources of revenue to fund vital services has meant that potential Council Tax contributions are welcomed and may explain why there has been a reluctance to ensure developers provide affordable housing and Section 106 contributions.

- There are also a **range of measures that Local Authorities are taking to maximise** these financial potentials. For example a development in Angel Meadow will raise an extra £6 million in Council Tax through the nationally funded ‘New Homes Bonus’. This is national government money given to encourage house building and doubles Council Tax for a limited period[41]. And so, although there was no affordable housing requirements and a relatively minor £250,000 Section 106 contribution, the financial contribution, to Manchester City Council is substantial.

Local government cuts

Manchester City Council has experienced substantial cuts from central government since 2010/11. The **directorate budget has been reduced by almost a third and £271m of savings and budget reductions made**. At the same time, the Council’s workforce has reduced been by 38% from 10,444 full time equivalent to 6,452 (LocalGov.uk[42])

3.2 Affordability

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.

- Out of a total of 39 Build for Sale development sites data was captured on the starting price[43] of a one bedroom apartment for 19 of these, with 14 in Manchester and five in Salford. 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.

- In order to purchase a one bedroom apartment prospective owner-occupiers who have saved a large (and for many unrealistic) £20,000 deposit and would have to pay £882 per month or £792 per month in Salford and £914 per month in Manchester[44] not including bills, Council tax and other living costs. Advice suggest that no more than 28 percent of gross monthly income should be spent on a mortgage[45]. This means that for an average housing unit in the sample data **a gross monthly income of over £3000 would be the minimum required**.

- Media has reported on the difficulties being faced by local residents in trying to buy a home with the Manchester Evening News reporting “The 28-year-old says dozens of viewings he had organised were cancelled when flats were snapped up before his appointment”[46]. The financial returns available in Greater Manchester mean a surge of buyers from outside the city-region, **increasing the price of housing and making if difficult for local residents to purchase** homes, despite a few emerging examples of ‘locals only’ developments[47].

- Many residents in Greater Manchester also choose to rent homes in the city-regional centre. And with increasing numbers of people unable to afford to purchase housing and difficulty in accessing social housing, the private rental market is often the only option available for residents, meaning that the sector is facing multiple pressures. **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[48]. By 2017 a report by property advisor JLL[49] forecasted rents in Greater Manchester to increase by 20 percent between 2017 and 2021.

Figure 3B: Average starting price for one bed apartment

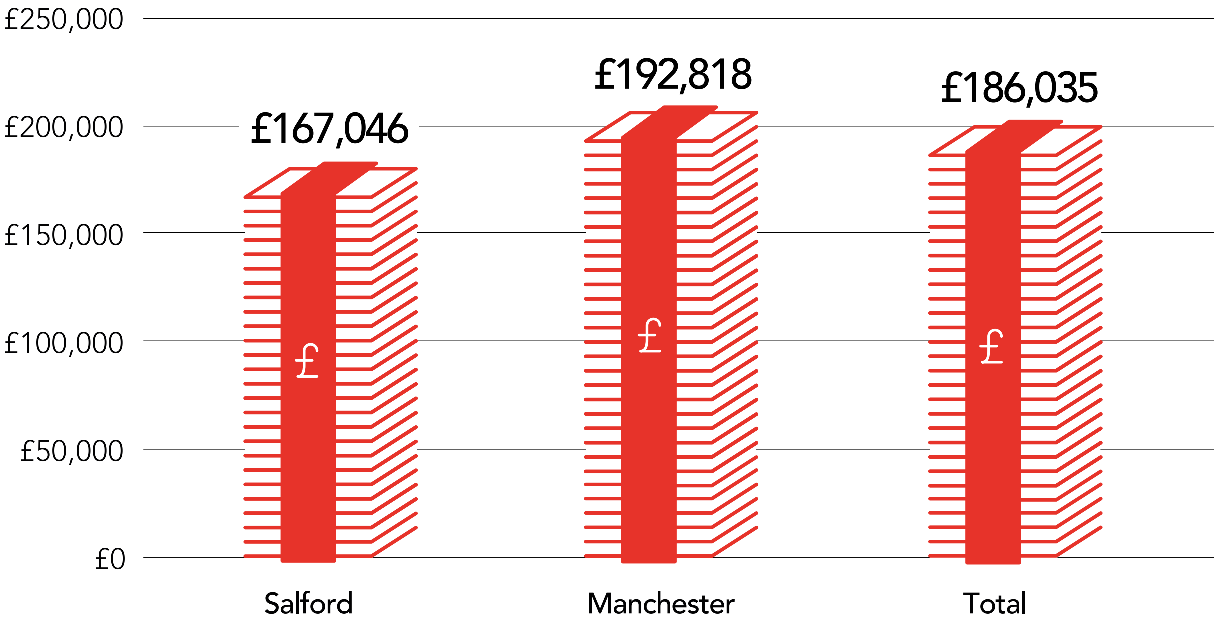


Figure 3C: Calculated mortgage payment per month (1bed) apartment

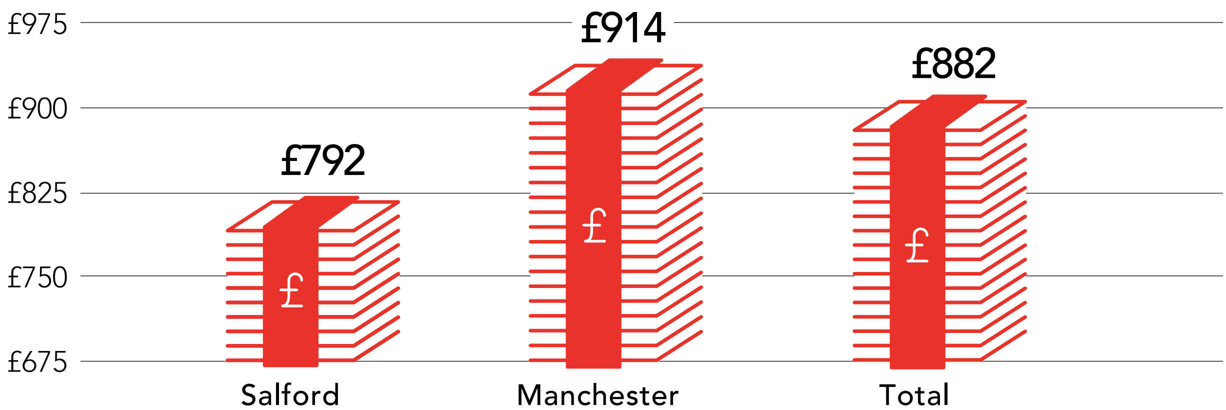
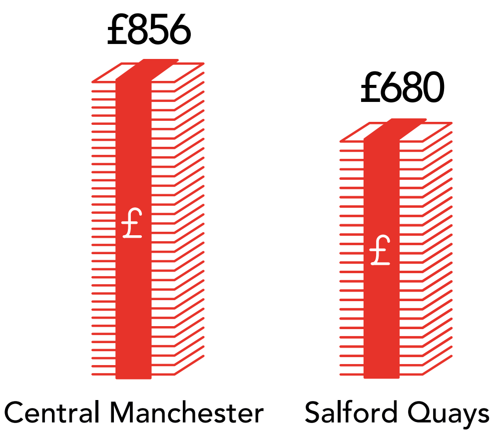


Figure : Map of average starting price for one bed apartment

- Although data was not available from the sample to assess the affordability of rents, other evidence can be used showing how renting a one-bedroom apartment in the city-regional centre is unaffordable for large number of residents including key workers. In January 2018 Zoopla had 203 one bedroom units available online for Central Manchester with **an average rental price of £856 per month**[50] (compared to £875 in the JLL report), with 15 units in Salford Quays with an average rental of £680.

- As the JLL report goes on to say,"Manchester city centre has moved out of the price range of young professionals in recent years."This observation reinforces the risk that without the provision of adequate housing options in the city-region centre that social housing tenants, key workers from shop assistants to nurses or teachers and those entering the professional services are all **being displaced or unable to access housing in these areas**.

Figure 3D: Average rental price for one bed apartments in Central Manchester/Salford Quays (Jan '18)

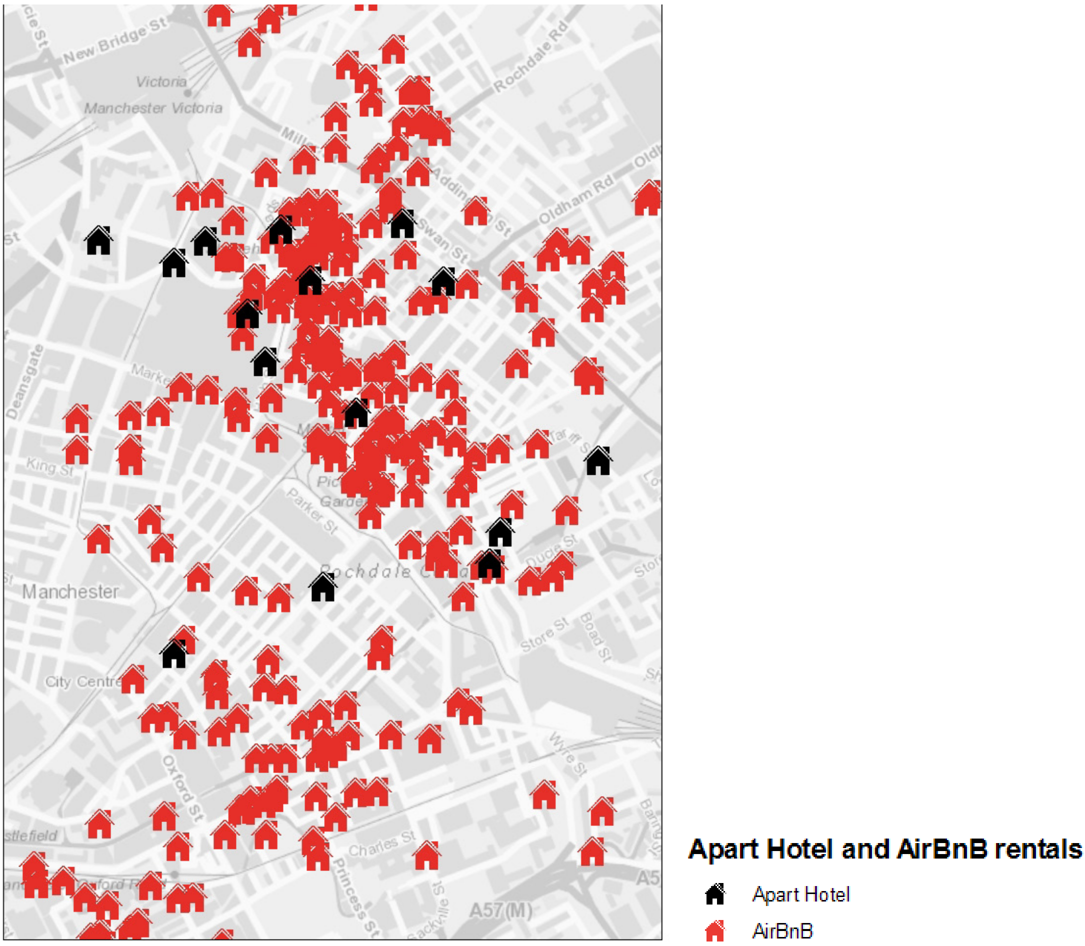


3.3 Surging markets: Boom and bust?

Questions about the sustainability of the current housing boom are beginning to emerge, especially with reports that the London market experienced a drop in house prices in 2017'[51]. **There are anecdotal indications, in early 2018, that the development of high density, housing units, particularly in the PRS sector may reflect some of the turbulence being experienced in London**. Future turbulence in these housing markets and perhaps across the housing landscape of Greater Manchester more broadly would have a negative impact on local residents and communities. Early-signs include the collapse of the large construction and engineering company, Carillion that was active on a number of developments in the city-region, including the 450 unit Angel Gardens. While there was only a short disruption with the construction the sight of an abandoned project should remind city-leaders and others that **development always goes through boom and bust investment cycles**. The spectre of Brexit also looms over the housing future of the city-region and the potential for the boom to suddenly come to a halt. Another potential factor that has to be considered is the over-supply of one or two bedroom apartments with developments such as Renaker's Owen Street bringing over 1,000 units to the market alone. With ever-increasing rents is there a limit to how many of Greater Manchester's residents could afford such housing?

3.4 Spatial implications

Figure 3E: Map of short term rental housing in the Northern Quarter



A range of spatial implications across Greater Manchester are becoming visible that have resulted from housing financialisation. As this report has argued, an increasing number of **housing units are being developed or purchased as assets rather than homes**. Many of these buyers are from beyond Greater Manchester suggesting the only concern of these individuals and institutions is maximising profits, whatever the problems faced by residents.

- Housing **financialisation generates pressures on neighbourhoods** inside and outside the city-regional centre. For example the geographical distribution of short-term rentals, including Airbnb properties and serviced apartments across central Manchester shows clustering dynamics. This clustering is especially prevalent in the **Northern Quarter, with over 150 Airbnb units alongside over 500 serviced apartments**. Such a growth in short-term rentals is putting strain on local services and the prices for long-term rentals, and apartments to purchase in this popular area. With 650 potential homes used for the short-term rental market such transformation in available housing has increased rental prices in an area already struggling with gentrification.

- These pressures on rental prices in neighbourhoods like the Northern Quarter are **starting to have an impact in surrounding communities** as housing financialisation intensifies. This shows that the demand for new housing developments, to be sold to institutional investors including those from overseas is not just a concern within the city-regional centre. For instance, in Newton Heath a new apartment scheme is called HiLux and being marketed to investors internationally. Prices start at £156,000 which is unaffordable to many local residents (not that the development is aimed at local residents). It is advertised internationally as,"offering a minimum 8% NET annual returns assured for 7 years and up to 12% returns achievable through a blend of short term lets, ranging from weekly to yearly lets as luxury apartment suites setting a new trend in the residential property investment model"[52].

- Lack of affordable, social or key worker housing being built in the city-regional centre means, as this report has shown, that only higher earning households are now able to afford to rent or purchase units. This is resulting in **neighbourhoods and communities that lack any tenure or income diversity**. As in London and other global cities the lack of housing options for residents not on high incomes has meant that only the relatively wealthy have moved into central Manchester, central Salford and Salford Quays.

- It leaves open the charge that **Local Authorities are failing to create balanced communities**, in having diverse neighbourhoods or in allowing those without the financial resources to reside in the city-regional centre. This process of separation by income mirrors some inner-city surrounding communities that remarkably, considering the billions of pounds being invested minutes away, remain within the most deprived in the country[53]. The result is that there is increasing economic segregation within Greater Manchester city-regional centre and surrounding areas, creating ghettos of rich and poor.

- Another spatial implication emerging from housing financialisation has been the **privatisation of public space**. With many of these new housing developments offering a plethora of services and facilities they are being designed in fenced-off enclaves, privately owned and operated and surveyed by various forms of security to keep out the public. Furthermore, previously public space has been transformed into private ownership. In Ancoats the Georgian street plan has been partly destroyed, with streets disappearing from public use, having been privatised and brought into the new apartment blocks being developed by Manchester Life.

- There are also many developments that involve the loss of important heritage, with concerns from the public minimised. High financial returns mean that **important parts of the historic built environment are being destroyed in the name of developer profit**. For instance, in the same development that privatised the streets in Ancoats, the Smiths Arms built in 1775 was demolished by Manchester Life. The destruction of this heritage asset brought to an end a remarkable history and a building that many in the community envisaged as part of the future of the neighbourhood. The Smiths Arms is not the only example in this historic neighbourhood and has been joined by many other historic buildings in being demolished in order to maximise potential financial returns from new housing. The most notable of these being the disintegration of the Ancoats Dispensary reportedly caused by Urban Splash in order to create new space to build housing units[54].

> *"The UN Declaration of Human Rights includes the right to adequate housing. But in the UK housing is now, first and foremost, a financial asset, a safety deposit box for the super-rich and a cash cow for growing number of Russian, Middle Eastern, Asian, Chinese and some British investors"* (Anna Minton in *Big Capital, Who is London For?*[55]: xiv)

3.5 Transparency

There is a 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

- Transparency concerns in relation to housing financialisation include: **tax havens, tax liabilities, lack of democratic oversight on public-private partnerships and the connections to companies and governments with poor human rights and environmental records**. It means that residents of Greater Manchester will not necessarily know the global actors involved in building new apartments, where the money originates from and flows to, what favourable financial conditions are being created and many other important and democratic questions.

- There has been increasing national attention mainly focused on London concerning the ways in which UK property is being used to place huge international capital via international networks of tax avoidance law firms, far away tax havens and complicated financial arrangements. With ownership of over a thousand housing units in the city-regional centre registered in **'secrecy jurisdictions'** such as the Cayman Islands or British Virgin Islands, Greater Manchester risks becoming a secondary centre in the UK for the type of investment and off-shore capital that has made London notorious as what Anna Minton calls, 'the biggest tax haven in the world'[56].

> **What are 'secrecy jurisdictions'?**
> *"Places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction"* (Tax Justice Network[57])

- The financial and institutional arrangements that are being made between developers and various financial actors provides another key area of concern. These partnerships maybe operating legally but the **lack of transparency concerning the finances** should alarm residents in the city-region. And housing financialisation necessitates new financial arrangements, some of which span public-private partnerships involving Local Authorities and thus require democratic oversight.

- There is a **lack of openness** from Manchester City Council, the primary Local Authority in Greater Manchester involved in these type of partnerships. They are not prepared to provide sufficient information to residents about the arrangements involved, the financial forecasts such as whether tax payer money is being used, what tax is being paid and where. Using concerns over 'commercial sensitivity' the Local Authorities are able to avoid Freedom of Information requests, which have traditionally allowed the public and media to find out what is being done by our Councils[58].

- Concerns show that housing financialisation is not just about housing but also about **local democracy**, with issues of housing increasingly politically contested in the city-region. As a spokesperson for Greater Manchester Housing Action told the Manchester Meteor,[59]

  "The lack of transparency is appalling. The Council needs to show how any of this is in the interests of the people they were elected to represent. There are many questions to be answered, and MCC can be sure that will be asked with increasing frequency as Mancunians wake up to what is going on. Public assets, public money and indeed the whole political economy of the region are at stake."

- The involvement of new international financial actors prompts attention to the **human rights and environmental records** of the various regimes, individuals, governments and companies associated with these actors.

- Respected campaigning groups such as Amnesty International and Human Rights Watch have expressed concern about the close relations between Manchester City Council and the Abu Dhabi United Group. Amnesty is currently running a local campaign focused on the imprisonment of a human rights lawyer in Abu Dhabi, Ahmed Mansoor[60] which Manchester City Council have resisted endorsing[61]. The human rights concerns extend far beyond the imprisonment of Mansoor as human rights researcher Nicholas McGeehan has documented[62] and raises concerns about the involvement of a Local Authority with a regime well known for human rights violations.

Fig 3F: Amnesty campaign to FreeAhmed

- At Middlewood Locks in Salford, involvement of a Chinese based company Hauling Trade Group connects the site to ongoing unrest and repression in the Xinjiang Uyghur Autonomous Region (known by independence campaigners as East Turkestan). China's One Road, One Belt initiative seeks to connect the old Silk Road from Xinjiang to the Atlantic Ocean. This is being undertaken through massive infrastructure projects extending outwards from China. There has also been large-scale pacification of the Uyghur people that has received ongoing condemnation from human rights groups[63] including the biometric registration of the whole population through collecting DNA[64]

- 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. Human rights, environmental records and opaque financial relationships must become more transparent in Greater Manchester in relation to the new international actors operating in the city-region.

4. Housing futures

The final section of the report briefly highlights the housing futures within Greater Manchester city-region based on the growing financialisation of housing in the centre. It briefly outlines alternatives that are being articulated across civil society and within parts of local government.

4.1 Intensifying housing crisis?

Financialisation is creating pressures on housing within the city-region that contribute to the wider housing crisis.

- As the previous section examined this includes a failure to secure affordable housing and financial contributions from developers and financial actors; problems of affordability for renters and those seeking to purchase homes, a series of spatial implications including segregation and knock on effects for surrounding neighbourhoods.

- With current policy by Local Authorities focused on securing 'inward' investment from financial actors, often from beyond the UK and deployed to build luxury apartments in the city-regional centre, the housing futures seem likely to intensify these inequalities and experiences.

- Without affordable, social or key-worker housing being constructed and with developers often failing to provide any or adequate financial contributions through Section 106 agreements the housing crisis is likely to get worse. In Greater Manchester city-regional centre many of the benefits of housing development for local communities has been given up for the maximisation of developer profit.

4.2 Against housing financialisation

People within and increasingly beyond Greater Manchester are recognising the effects of housing financialisation and seeking to address the problems it creates.

- There are many civic organisations and social movements campaigning around various facets of the housing crisis and effects of housing financialisation. Groups such as Greater Manchester Housing Action provide both important support and new ideas to help develop a city in which housing is built as homes, not assets. These groups and the ideas and inspiration of the wider public are essential to addressing the housing crisis and are intimately tied to creating a democratic, transparent and progressive city-region..

- Local Authorities attempt to address the housing crisis and the problems created through financialisation even if these are limited by ongoing austerity or the support for the property-led regeneration model. There are however, initiatives and policies by Manchester City Council and Salford City Council seeking to shift the focus away from property-led regeneration, toward a more inclusive model of housing. The Greater Manchester Mayor and the enhanced capacities of the Greater Manchester Combined Authority provide an opportunity to shape a different type of housing future for the city-region. This includes experimenting with new ideas, models and arrangements that could act as an exemplar for the rest of the UK and offer an alternative vision for how housing serves people not profit. As the progressive Mayor of Barcelona Ada Colau, warns, "We can't be a global city at the expense of residents… If we let property speculation drive out our residents, we all lose out, because we lose our neighbourhoods"[65].

- While it is beyond the scope of this report to offer solutions, many organisations and individuals have offered a bold range of options for future housing. The primary response to housing financialisation in Greater Manchester city-regional centre will likely involve using existing planning guidance. The lack of affordable or social rent housing included in the dozens of new developments will have to be delivered in all future housing schemes. Local Authorities might have felt this was hindering development in the years after the financial crisis but it is clear that Greater Manchester is now an improved investment proposition for developers. As such, affordable housing requirements of 20 percent can be enforced while rates of return for investment remain so high. Furthermore, the requirement by Manchester City Council, "that "5% of new housing provision will be social rented"[66] must be adhered to by all developers. Across the city-regional centre 5,000 affordable or social units have been lost from the 79 developments included in this research sample. Local Authorities need to act quickly in order to ensure the next wave of development addresses rather than reinforce the housing crisis.

- There is also precedent to go even higher than current, if unsecured requirements. The London mayor, Ken Livingstone[67] was able to force through 35 to 50 percent affordable housing in many developments across the capital. The ways in which developers use the 'viability assessments' are facing increasing criticism and must be overcome in order for cities to respond to the housing crisis. Research by Shelter[68] offers a series of recommendations to address this problem including strengthening local plans, limiting the use of site-led assessments, redefining and justifying the level of returns and making all evidence fully transparent.

- Cities are increasingly addressing the broader issues of housing financialisation and the problems that it is creating. The need to limit the speculative investment into housing is foremost amongst the responses that Local Authorities should be developing. In London, Mayor Sadiq Khan has announced an inquiry into foreign property ownership[69] showing that the first step must be in developing a comprehensive understanding of these dynamics. But knowledge alone is not sufficient, with organisation such as the New Economics Foundation[70] calling for a new tax to capture some of the value of land in our cities. In Vancouver and Toronto international investors must pay a 15 percent contribution to the city government[71]. A range of bold measures to govern housing financialisation are essential in building a fairer and more just city-region.

- Part of the problem is that public land is often allocated to developers without fair financial contributions to the public purse, in Greater Manchester the organisation 'Manchester Place' is the key intermediary involved. Local Authorities will need to rethink how public land is being allocated, used and supports public rather than profit orientated goals. As large spaces of previous used industrial land are developed less land will be available, as such land must be allocated now for the construction of social, affordable and key-worker housing by Local Authorities.

- A range of cities have implemented policies to deal with the short-term rental market. For instance close to Greater Manchester, Liverpool has followed Paris and London in placing a cap for renting out housing via websites such as Airbnb to 90 days per annum. This helps to ensure that housing units built for residents are not taken out of rental markets and used solely as assets by owners who as this report has shown often hold a number of properties. Liverpool

City Council has also written to government to push for regulation forcing the registration of property and allowing for the enforcement of standards. Barcelona has introduced a range of measure including finding a company for adverting units that were unlicensed. In London 'hosts' are now legally obliged to apply to planning authorities for change of use if they intend to rent out units for more than 90 days. Across the world relatively small tourist or room taxes of £1 per night are invested back into cities, supporting local services from homeless support through to street learning and addressing the disruptive impacts of high numbers of visitors on neighbourhood life.

- With the new Greater Manchester mayor, a series of enhanced powers for Local Authorities created from devolution and the growing acknowledgement by policymakers and politicians of the housing crisis the city-region has an opportunity to experiment and deliver new non-market housing models that recognise it as the basis for a fairer city. 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.

Fig 4A: Historic, public housing in Ancoats shows how Local Authorities can build non-marketised housing in the city-regional centre.

5. Overview of research methodology and data sources

This report outlines the evidence to support the contention that housing financialisation is taking place in the Greater Manchester city-regional centre.

- The main data generated to substantiate these claims are provided through a sample captured in July 2017 reflecting construction of new housing units either (i) on site, or (ii) through the planning process. The sample collected data for 25,753 new build housing units across 79 sites, including all developments with over 50 units. It should be noted that this provides a snapshot of the development pipeline rather than an attempt to systemically capture all past, present and future housing development.

- Sources used included planning applications held by both Manchester City Council and Salford City Council, media reports especially from the Manchester Evening News, Salford Star and Place North West, alongside walking surveys across areas incorporated.

- The data is presented where possible at both the Greater Manchester city-regional centre scale and split between Salford City Council and Manchester City Council boundaries.

- Where possible the data was mapped using GIS software in order to develop a geographical analysis of housing development. A range of other data sources have also been used. This including

- Land Registry released data sets in 2017[72] for all international commercial ownership of property in the UK. The data was interrogated to locate (housing only) ownership in the Greater Manchester city-regional centre[73].

- In order to asses the short term rental market a number of data sources were also used. Apart-hotels or serviced apartments are a key feature in the short term rental market. A 'desk-top' research methodology was employed to identify currently operating or planned serviced apartments through a range of websites, inquiries to operators were made and other secondary material gathered to provide the necessary information to collate data on nearly 1,200 units.

- Airbnb is the primary operator of what has come to be termed the sharing economy within the housing sector and provides an important part of researching the short term rental market. Data was collated on Manchester Airbnb properties through the website insiderAirbnb[74] which provide a comprehensive listing by listing analysis of Airbnb properties. This data was not available for Salford[75].

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22. Development value is the total cost of each site announced by the developer
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