

# Centripetal Cities

A critique of supply-side urban development

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**A re-appraisal of the 'city-first' supply-side urban development model is needed to assess its suitability as a model for the future of city-regions in the UK.**

# 1. Introduction: Centripetal and Centrifugal Cities

The question of how to redevelop former industrial regions has troubled urban policymakers for many years. Britain's interregional disparities are among the highest of any OECD country. London is an archetypical world city, but half of the UK's population live in areas with lower productivity rates and poorer services than the former East Germany<sup>1</sup>. These disparities and their accompanying social tensions were exposed by the 2016 Brexit vote, which focused policy attention. But political programmes to address that problem via the 'levelling up' agenda of the last Conservative administration have been inconsistent and piecemeal<sup>2</sup>.

The newly elected Labour government have pledged to 'power up' the economy through strategic investment, an extension of devolution deals, and planning reforms intended to boost development<sup>3</sup>. In 2024 they proposed a revised National Planning Policy Framework (NPPF) to encourage brownfield site and greybelt regeneration, with an emphasis on speed rather than aestheticism in the planning process<sup>4</sup>. They have set an ambitious, mandatory house-building target of 1.5 million new homes over the next five years, and are identifying locations for a series of new towns and urban extensions: empowering mayors to act swiftly on planning applications to facilitate those ambitious housing targets. Housing is therefore viewed as central to Labour's growth agenda, which has also reignited interest in a particular city-first, supply-side, housing-led urban development model.

Supporters of this model view urban development as best served by attracting private investment into city centre residential property assets to draw in skills, finance and technology from outside. They argue market forces will assemble these new resources efficiently, resulting in rising productivity and wealth, which spill-over into surrounding areas in a *centrifugal* manner<sup>5</sup>. Proponents point to the success of Manchester as an example or blueprint for other city regions to follow<sup>6</sup>.

Yet recent reviews of Manchester's redevelopment highlight mixed results<sup>7</sup>. It is undeniable that Manchester's city centre has been significantly transformed<sup>8</sup>, and there is compelling evidence that new skilled jobs have been created<sup>9</sup> and that productivity has increased<sup>10</sup>. But evidence on improvements for the pay of Manchester residents and wider regional spillovers is inconclusive<sup>11</sup>. Questions about the troubling relations between urban centres like Manchester and their inner and outer-city populations have given rise to popular<sup>12</sup> and academic<sup>13</sup> criticism about who benefits from these developments. With new glass towers dominating the city centre and boarded-up shopfronts on the high streets of adjacent towns, there is a need for greater scrutiny of the model<sup>14</sup>. The promised uplift for 'left-behind' towns appears limited, and there is evidence that inner-city communities are struggling with rising rents and displacement pressures exacerbated by the cost of living crisis.

**A re-appraisal of the 'city-first' supply-side urban development model is needed to assess its suitability as a model for the future of city-regions in the UK.**

- 1 McCann P (2016) *The UK Regional-National Economic Problem: Geography, globalisation and governance*. London: Routledge.
- 2 Martin R, Pike A, Sunley P, Tyler P and Gardiner B (2022) "'Levelling up' the UK: reinforcing the policy agenda.' *Regional Studies, Regional Science*, 9(1): 794–817.
- 3 Labour (2024) *Power and Partnership: Labour's Plan to Power Up Britain*. Labour Party.
- 4 Ministry of Housing, Communities and Local Government (2024) 'National Planning Policy Framework, Dec 2024'. Available at: <https://assets.publishing.service.gov.uk/media/675abd214cbda57cadd3476e/NPPF-December-2024.pdf> (accessed 22/01/25).
- 5 Osborne G (2014) 'Chancellor: "We need a Northern powerhouse".' HM Treasury. Available at: <https://www.gov.uk/government/speeches/chancellor-we-need-a-northern-powerhouse> (accessed 22/01/25).
- 6 Knowles D (2013) 'The Manchester model.' *The Economist*, 13 September.
- 7 Folkman et al. (2016) 'Manchester Transformed: Why we need a reset of regional policy.' CRESC.
- 8 Clarke S (2016) 'New Order: Devolution and the future of living standards in Greater Manchester.' Resolution Foundation.
- 9 Emmerich M (2023) 'Researching the city – an economic transition of Manchester: A case study.' Notes from a Lecture given by Mike Emmerich, Founding Director, Metro Dynamics and Honorary Professor in the Faculty of Humanities at the University of Manchester, 9 November 2023, p.20.
- 10 Brantly P et al. (2023) 'A tale of two cities (part 2): A plausible strategy for productivity growth in Greater Manchester and beyond.' Resolution Foundation.
- 11 D'Arcy C, L Gardiner and Rahman F (2019) 'Low Pay in Greater Manchester: A report for the Greater Manchester Independent Prosperity Review.' Resolution Foundation.
- 12 Haslam D (2020) 'My House Is Your House...How Music Venues Enrich Life In A City.' Available at: [https://www.situations.org.uk/content/uploads/2020/04/BC\\_16\\_DaveHaslam\\_Essay\\_175x125\\_HI-Res.pdf](https://www.situations.org.uk/content/uploads/2020/04/BC_16_DaveHaslam_Essay_175x125_HI-Res.pdf) (accessed 22/01/25).
- 13 Goulding R, A Leaver and J Silver (2022) 'Manchester Offshored: A public interest report on the Manchester Life partnership between Manchester City Council and the Abu Dhabi United Group.' Centre for Research into Accounting and Finance in Context, The University of Sheffield
- 14 Rose I (2024) *The Rentier City: Manchester and the Making of the Neoliberal Metropolis*. Repeater Books, London.

Figure 1.1: The Centripetal City

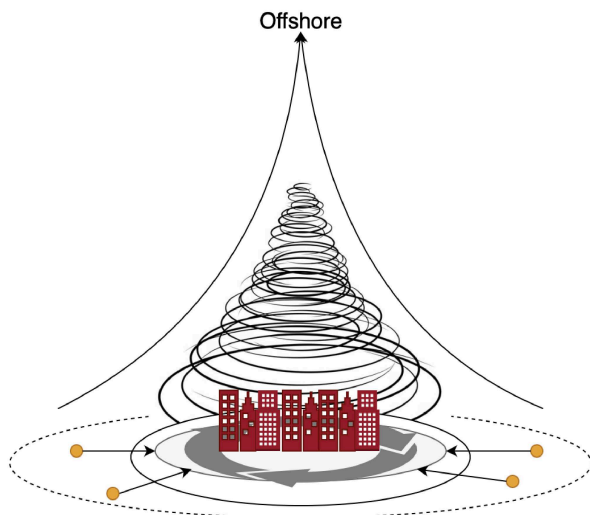
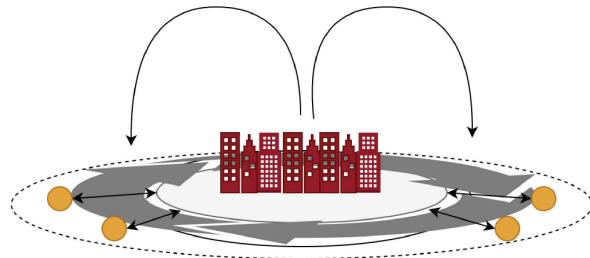


Figure 1.2: The Centrifugal City



To do this, we wanted to step away from the asserted claims about how market forces work in agglomerated urban environments. This encourages the view that attracting private real estate investment in city centres is an end in itself and that the presence of cranes and skyscrapers on city skylines is a catchall measure of success. This view ignores the counterpoint: that investment always expects a return; and by focusing exclusively on ‘investment-in’, the rights to take ‘money-out’ are obscured. But ‘money-out’ matters because it raises a different set of questions about whether returns are proportionate, justifiable and fair relative to risks taken; and at what point profit-taking becomes ‘extractive’ – i.e. it imposes excessive charges on the living standards and consumptive possibilities of residents or sucks out the regional multipliers that are assumed to emerge organically from agglomeration.

15 Goulding R, A Leaver and J Silver (2022) ‘Manchester Offshored: A public interest report on the Manchester Life partnership between Manchester City Council and the Abu Dhabi United Group.’ Centre for Research into Accounting and Finance in Context, The University of Sheffield.

To start to think through this question we need to think less about markets and more about different kinds of **economic circulation**, which can either tend towards the centralisation and extraction of wealth from an urban space, or embed wealth-building within local exchanges to hem in and throw out prosperity across the city region. In simplified terms this allows us to think about two ideal-types of urban development: *centripetal* and *centrifugal cities* (Figures 1 and 2):

In the **centripetal city**, property-led urban development pulls in skills, capital and other resources to generate returns primarily within the city centre, hollowing out peripheries and leaving them less capable of supporting themselves, while heating up the housing market in the inner-city. While this may improve productivity and the circulation of resources in the city centre, the gains are captured by investors and rents are funnelled out of the region, into tax havens or otherwise. This process of extraction operates as a model for capital, not labour, diminishing the benefits of economic multipliers, relinquishing the option value on land, and reducing the benefits of agglomeration for residents and outlying areas<sup>15</sup> (Figure 1).

In the **centrifugal city**, income circulates locally through a greater use of local providers, with community input playing a more central role in planning and development. Skills and resources may be pulled towards the centre, but alternative models of municipal, public and community ownership ensure that income is locally embedded, so that returns are recycled, and the outward extraction is minimised (Figure 2).

These ideal types are not intended to reflect 'actually existing' cities because all forms of urban development produce both centripetal and centrifugal forces. What they draw our attention to are different forms of circulation within a region. It moves debates about urban development away from abstract assertions about markets towards accounting questions about flows, distributions and resource allocation. In policy terms, it shifts the dial too – avoiding overly simplistic solutions aimed at removing barriers and providing incentives for city centre investors and developers, and instead asking whether the new wealth created is extracted from – or embedded in – local communities and the wider region.

This report will present evidence and analysis which highlights some of the problems of property-led urban development using the example of Manchester but with national implications. While Manchester's urban development model is not *purely* property-led, a variety of academic research papers<sup>16</sup>, policy documents<sup>17</sup> and the council's own strategy announcements<sup>18</sup> suggest that the property-led model is the *dominant* approach taken by the council towards economic development. Our analysis addresses four key areas:

- I. Productivity, wages and housing costs, exploring the question of local multipliers and regional spillovers into outlying towns of the city region (section 3)
- II. Public value capture and claims on public resources in the urban development process (section 4)
- III. Agglomeration and extraction – whether gains are privatised and taken out of the region, reducing local economic benefit (section 4)
- IV. Financial and social pressures on working class, inner-city neighbourhoods (section 5)

16 Hodson M, A McMeekin, J Froud and M Moran (2020) 'State-rescaling and re-designing the material city-region: Tensions of disruption and continuity in articulating the future of Greater Manchester.' *Urban Studies* 57(1): 198–217.

17 GMCA (2024) 'Places for Everyone Joint Development Plan Document for Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Tameside, Trafford and Wigan 2022 to 2039: Adopted 21 March 2024.' Available at: <https://www.greatermanchester-ca.gov.uk/media/9578/places-for-everyone-joint-development-plan-document.pdf> (accessed 22/04/24).

18 Manchester City Council (2023) 'Investing in Success: An economic strategy for Manchester.' Available at: <https://democracy.manchester.gov.uk/documents/s43800/Appendix%201%20-%20Investing%20In%20Success%20-%20Manchesters%20Economic%20Strategy.pdf> (accessed 22/04/24).



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**Agglomeration should not be seen as a magic bullet, when the changing relations within and between the wider UK political and geographic economy may exert so much more influence on outcomes.**



## 2. Reframing Urban Development: Supporters and Critics of Agglomeration Economies

Since the 1990s, urban and regional policy has been dominated by the argument that local authorities need to harness the benefit of ‘agglomeration economies’ – i.e. the belief that economic benefits accrue to firms that cluster in a discrete geographic area<sup>19</sup>. This approach, influenced by ‘New Economic Geography’ thinking, argues that urban agglomeration through increased density and the clustering of development into city centres is a key means of boosting productivity to meet the needs of a high-skill knowledge economy<sup>20</sup>. Productivity benefits through geographic proximity, within this theory, are gained through shared infrastructures, the ability to match skills to jobs, and mutual learning between skilled workers<sup>21</sup>. In this view, the difference between successful and unsuccessful cities lies in their ability to mobilise connectivity and skills. New urban economists such as Ed Glaeser argue that policy interventions to level out regional imbalances are doomed to fail unless they can attract skilled residents and drive down spending costs<sup>22</sup>. Although this view assumes that regional inequalities are an immediate but necessary cost of economic inefficiency, any imbalances are believed to be self-correcting in the long-run, enabling productivity benefits to trickle out and benefit all<sup>23</sup>.

While agglomeration economic theory has been influential, critics have pointed to two limitations of this view. First, they argue that representations of cities as networks of market connections, with urban centres competing with one another for skills and investment are partial at best<sup>24</sup>. They argue that cities are not unitary or self-contained, but are instead comprised of ensembles of people, infrastructures and the built environment, shaped by their relationships to one another and their wider hinterland<sup>25</sup>. It is argued that it is too reductive to view these relationships as simply *market* relations, obscuring the supportive social infrastructures, such as affordable housing or democratic planning systems. Such systems are important because they provide the necessary foundations for people to collectively shape their neighbourhoods and the economic possibilities around them, even where they are not in themselves necessarily amenable to cost-benefit analysis<sup>26</sup>.

Second, critics argue that the preferred policy solutions of improved transport infrastructures or place-making to attract more affluent inhabitants<sup>27</sup> ignore the role of wider structural factors in reshaping city-regional prosperity<sup>28</sup>. For example, the UK’s dependence on London as an economic motor has shaped government policy of protecting London’s advantage as a global trading centre, directly and indirectly accelerating the decline of northern regions<sup>29</sup>. This has taken the form of prioritising infrastructural development in and around the City, producing uneven development trajectories across the UK. So, while this did lead to the outsourcing of back office work from London to other urban areas to save costs; this merely concentrated more profit and power within London. Agglomeration, then, should not be seen as a magic bullet, when the changing relations within and between the wider UK political and geographic economy may exert so much more influence on outcomes.

- 19 McCann P (2023) ‘Levelling-up economics.’ IFS Deaton Review of Inequalities.
- 20 Krugman P (1998) ‘What’s new about the new economic geography?’ *Oxford review of economic policy*, 14: 7–17.
- 21 Duranton G and Puga D (2003) ‘Micro-foundations of urban agglomeration economies.’ NBER Working Paper Series, Working Paper 9931; See also Melo P, Graham D and Noland R (2009) ‘A meta-analysis of estimates of urban agglomeration economies.’ *Regional Science and Urban Economics* 39: 332–342.
- 22 Glaeser E (2011) *Triumph of the City: How our Greatest Invention Makes us Richer, Smarter, Greener, Healthier, and Happier*. New York: Penguin.
- 23 World Bank (2009) *World Development Report: Reshaping Economic Geography*. Washington, DC: World Bank; HM Treasury (2001) ‘Productivity in the UK: 3 The Regional Dimension.’ London: HM Treasury; HM Treasury (2003) ‘Productivity in the UK: 4 The Local Dimension.’ London: HM Treasury.
- 24 Engelen E, Froud J, Johal S, Salento A and Williams K (2016) ‘How cities work: a policy agenda for the grounded city.’ CRESC Working Paper Series, Working Paper No. 141.
- 25 Martin R, Bailey D, Evenhuis E, Gardiner B, Pike A, Sunley P and Tyler P (2019) ‘The Economic Performance of Britain’s Cities: Patterns, processes and policy implications.’ Submission to the UK 2070 Commission call for evidence, p.14.
- 26 The Foundational Economy Collective (2018) *Foundational Economy: The Infrastructure of Everyday Life*. Manchester: Manchester University Press; Adams D and Watkins C (2014) *The Value of Planning*. RTPI Research Report no.5.
- 27 E.g. Swinney P (2021) ‘So You Want to Level Up?’ Centre for Cities; Brandily P, Distefano M, Shah K, Thwaites G and Valero A (2023) ‘Beyond Boosterism: Realigning the policy ecosystem to unleash private investment for sustainable growth.’ The Resolution Foundation: The Economy 2030 Inquiry.
- 28 Pike A, Rodríguez-Pose A and Tomaney J (2017) ‘Shifting Horizons in Local and Regional Development.’ *Regional Studies*, 51(1): 46–57; Massey D (1984) *Spatial Divisions of Labour: Social Structures and the Geography of Production*. London: Macmillan.
- 29 Martin R and Sunley P (2023) ‘Capitalism Divided? London, financialisation and the UK’s spatially unbalanced economy.’ *Contemporary Social Science* 18(3–4): 381–405.



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**...the productivity gains generated by property-led urban development are being captured by property investors not households. This has the potential to lock multipliers into circuits of capital rather than local circuits of demand, consumption and investment.**

# 3. Centripetal City Dynamics in Manchester

## 3.1. Manchester: A Centripetal City?

In the remainder of this report we consider Manchester as an example of a supply-side, property-led agglomeration model. As the UK's second largest city, Manchester is often presented as a success story for urban development, with its wider city-region of Greater Manchester experiencing rates of Gross Value Added (GVA) growth which at 2% are higher than other northern cities. Supporters of the Manchester model<sup>30</sup>, argue that property development in central Manchester since the 1980s has enabled an explosion of jobs, enabling the city to escape the legacies of deindustrialisation<sup>31</sup>. Yet critics have highlighted the persistence of severe inequalities reproduced by property-led development in Greater Manchester, arguing that it favours rentier interests while driving gentrification and displacement<sup>32</sup>. While Manchester has concentrations of affluence in its centre and (predominantly southern) suburbs, large amounts of poverty remain across much of the city and its surrounding towns. These inequalities include one in three children growing up in child poverty<sup>33</sup>, and 74,000 people registered on the city-region's social housing waiting lists<sup>34</sup>.

A core premise of the Manchester model is that its focus on city centre growth will generate wealth that will trickle out to benefit all within the conurbation. But that can be complicated by several factors. The Resolution Foundation, in an important recent report, argues that while Greater Manchester's productivity levels still lag the national average, and are 35% lower than the capital city of London, this gap can be narrowed by further expanding its city centre. Specific recommendations to narrow this gap include a target for local policymakers to attract 180,000 additional graduates over the next 15 years while converting 33 hectares of land in and around the city centre to office space<sup>35</sup>. Researchers at the think tank acknowledge that 132,000 additional homes, 20% of them social housing, would need to be built to prevent rising housing costs from swallowing up to one third of any income gains for the typical Greater Manchester household and over half for those on low incomes<sup>36</sup>. They continue that 106,000 "lower qualified" jobs may be created by the extra spending of these graduates, resulting in a city that would be "richer but more unequal" than that existing today<sup>37</sup>.

However, other studies have found that the wider city-region's historical record on job creation has been relatively modest since the 1990s, despite the property-boom in the city centre. While Manchester's city centre population boomed from the late 1990s up to the 2008 financial crisis, private job creation outside the centre and more prosperous southern suburbs was weak. Of 48,000 jobs estimated to have been created between 1998 and 2008, over half were by the public sector. And even then, some of this private sector job growth was linked to the decision to move many BBC jobs to Manchester, which generated many support services. At the same time, private sector jobs have declined in the former mill towns of Oldham, Rochdale and Tameside<sup>38</sup>. To fully assess debates as to the benefits of the Manchester model, it is necessary to consider the data with regards to population, wages and productivity growth in across the city-region more closely.

- 30 Knowles D (2013) 'The Manchester Model.' *The Economist*. Available at: <https://www.economist.com/blighty/2013/09/13/the-manchester-model> (accessed 12/11/23).
- 31 Emmerich M, Holden J and Rios R (2013) 'Urban Growth in the UK: a Mancunian Call to Action.' *New Economy Manchester*.
- 32 Rose I (2024) *The Rentier City: Manchester and the Making of the Neoliberal Metropolis*. Repeater.
- 33 Millthorne L, D Burch, B Lukacs, J Tupling and H Power (2023) 'Growth = wealth? Not for everyone.' Centre for Local Economic Strategies (CLES). Available at: <https://cles.org.uk/blog/growth-wealth-not-for-everyone/> (accessed 21/11/23).
- 34 D'Arcy et al. (2019) 'Low Pay in Greater Manchester.' Resolution Foundation, p.5.
- 35 Brandily P et al. (2023) 'A tale of two cities (part 2): 'A plausible strategy for productivity growth in Greater Manchester and beyond.' Resolution Foundation. p.49.
- 36 Ibid, p.98.
- 37 Ibid, p.104.
- 38 Folkman et al (2017) Manchester's transformation over the past 25 years: why we need a reset of city region policy. LSE. Available at: <https://blogs.lse.ac.uk/politicsandpolicy/manchester-transformed/> (accessed 22/01/25).

## 3.2. Greater Manchester's Population Growth and Productivity

Our data on productivity, wages and housing costs, provides a window on the extent to which Manchester's urban development model is generating centripetal or centrifugal forces. The adoption of a property-led, city-first urban development model has coincided with increased population growth in the urban centres of Manchester and Salford, which have grown faster than the Great Britain average of 18.8%. Population growth in all other Greater Manchester areas, however, has been lower than the GB average (Figure 3.1). Economically active individuals increased by 17.6 to 19.1 percent in Manchester and Salford respectively, with much smaller increases in the other regions – averaging 2.3% during this same period (Figure 3.2).

**Figure 3.1: Population growth in regions**

Local Authority/Region	1981	2021	Change (%)
Rochdale	208,200	224,100	8%
Bolton	262,100	296,000	13%
Wigan	307,000	329,800	7%
Manchester	459,200	549,900	20%
Bury	177,100	193,800	9%
Salford	144,200	181,700	26%
Tameside	216,600	231,200	7%
Oldham	221,400	242,100	9%
Trafford	222,900	235,500	6%
Stockport	181,400	179,800	-1%
<b>North West</b>	<b>6,940,300</b>	<b>7,422,300</b>	<b>7%</b>

Source: Labour Market Profile – Nomis – Official Census and Labour Market Statistics ([nomisweb.co.uk](http://nomisweb.co.uk))

**Figure 3.2: Economically active population growth in regions**

Local authority	July 2011 to 2012	October 2021 to September 2022	Change (%)
Rochdale	98,600	94,400	-4.3%
Bolton	134,100	134,200	0.1%
Wigan	163,600	164,900	0.8%
Manchester	240,900	283,200	17.6%
Bury	96,200	96,100	-0.1%
Salford	102,000	121,500	19.1%
Tameside	106,000	112,200	5.8%
Oldham	104,100	112,100	7.7%
Trafford	112,600	115,100	2.2%
Stockport	140,100	148,400	5.9%

Source: Labour Market Profile – Nomis – Official Census and Labour Market Statistics ([nomisweb.co.uk](http://nomisweb.co.uk))

These trends may be driven by wider economic and cultural forces, but the city-first model, aimed at attracting young and higher-skilled workers, is also part of this story, leaving many peripheral areas with a slow-growing, ageing, lower-skilled, less economically active population.

As summarised in Figure 3.3a, the city-first urban development model has also shaped the regional pattern of productivity measured through GVA. In terms of productivity performance, Manchester, Trafford and Salford generate consistently higher GVA per hour worked relative to the other regional local authorities. However, the picture is mixed. First, when inflation is stripped out, many of the surrounding regions of Manchester have not fared well. Areas like Stockport (2.6% growth) and Oldham (5.7% growth) have experienced very low real term increases in productivity in the eighteen-year period between 2004 and 2022. Areas like Trafford (-2.5% decline) and Bury (-8.2% decline) have actually experienced real term falls in their GVA per hour worked. The productivity improvements are thus concentrated in the major urban conurbations of Manchester, Salford and to a lesser extent Bolton. Second, as Figure 3.3b shows, when this performance is indexed against the performance of the UK economy as a whole, it is difficult to see much improvement outside the two core urban conurbations. Even there, Manchester and Salford are at around the UK average GVA per hour worked, despite improvements against that average. Manchester also underperformed the UK average for much of the post-crisis period. This may indicate that its productivity improvements are tied to property markets, and that the external markets that the housebuilding were supposed to create have not fully materialised. Salford's trajectory is arguably more impressive in that sense. Trafford has fallen behind the national average; as has Stockport. Bury's productivity has collapsed. The remainder underperform the national average by 10-20 percentage points, with no evidence that the city-first model is pulling productivity levels up noticeably anywhere else.

It is also worth recognising that even with this productivity growth in Manchester and Salford, this **does not seem to translate into significantly improved real pay per hour across the region**. Some caution is needed when comparing these figures because the GVA figures measure productivity by place of work; whilst pay figures are calculated by place of residence. Given many people travel outside their area to work, it is important not to draw a reductive link between productivity and wages in discrete areas. But what we can say is that, *across the region*, real gross pay per hour has not been transformational (Figure 3.4). Only Trafford and Stockport residents have wages per hour that are above the national average. And Greater Manchester as a whole has broadly tracked the national average.

There are, of course, other national and global drivers of wage stagnation which are unrelated to Manchester's urban development model. But the focus on productivity growth alone seems narrow and misguided. If the centrifugal promises of the city-first, property-led agglomeration model rely, to some extent, on demand multipliers for city-regional growth, then the model needs to broaden its focus from GVA creation alone towards mechanisms that allow a larger proportion of that GVA to circulate locally, in the pay packages of the local workforce or supportive infrastructure. Returning to our analysis of centripetal cities operating for capital, not labour, then if it doesn't, the risk is that councils will become locked into a dependent relation, where future growth relies less on the wealth of its residents and labours' propensity to spend locally. Rather, it will depend more on capital's willingness to recirculate its profits within the region, for which it may demand further subsidies and concessions.

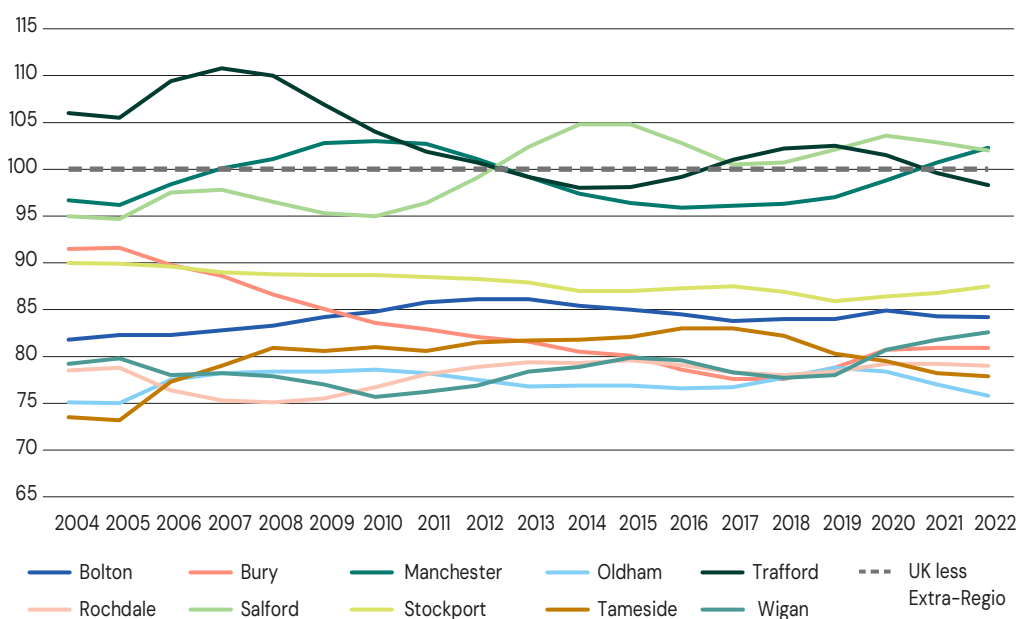
**Figure 3.3a: Greater Manchester Productivity Data, Nominal And Real (2004 prices)**

Nominal GVA per hour (£)										
	Bolton	Manchester	Rochdale	Wigan	Bury	Salford	Tameside	Oldham	Trafford	Stockport
<b>2004</b>	20.9	24.5	19.9	20.5	23.7	24.6	19.5	19.3	27.2	23
<b>2022</b>	33.5	40.7	31.4	32.8	32.1	40.5	30.9	30.1	39.1	34.8
<b>Change (%)</b>	60.3%	66.1%	57.8%	60.0%	35.4%	64.6%	58.5%	56.0%	43.8%	51.3%

Real GVA per hour (£)										
	Bolton	Manchester	Rochdale	Wigan	Bury	Salford	Tameside	Oldham	Trafford	Stockport
<b>2004</b>	20.9	24.5	19.9	20.5	23.7	24.6	19.5	19.3	27.2	23
<b>2022</b>	22.7	27.6	21.3	22.2	21.8	27.5	20.9	20.4	26.5	23.6
<b>Change (%)</b>	8.7%	12.6%	7.0%	8.5%	-8.2%	11.6%	7.4%	5.7%	-2.5%	2.6%

**Figure 3.3b: Greater Manchester Productivity Indexed to the UK Average (UK Less Ex Regio = 100)**



Source: Table A3: Current Price (smoothed) GVA (B) per hour worked (£); Local Authority District, 2004 – 2020. Subregional productivity: labour productivity indices by local authority district <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/datasets/subregionalproductivitylabourproductivityindicesbylocalauthoritydistrict>

Note: To estimate real gross hourly earnings and real GVA per hour we deflate the nominal values by the consumer price index (CPI, see ONS method) for each year to obtain real values

**Figure 3.4: Greater Manchester: Real Hourly Pay (Gross, £), 2004 prices**

		Greater Manchester MC	Bolton	Bury	Manchester	Oldham	Rochdale	Salford	Stockport	Tameside	Trafford	Wigan	England
2004	Median	8.71	8.08	9.71	8.16	8.34	8.71	8.63	9.38	8.15	10.23	8.34	9.44
	Mean	10.99	10.48	11.31	10.65	10.43	10.98	10.44	12.01	9.63	13.66	10.21	12.27
2022	Median	9.46	9.17	10.31	8.98	9.14	8.71	9.54	10.92	8.96	11.82	9.13	10.09
	Mean	11.93	11.78	12.28	11.44	10.98	10.96	11.72	13.53	10.97	14.72	11.31	12.87
2023	Median	9.8	9.4	10.2	9.8	9.4	9.7	9.4	10.9	9.5	11.7	9.5	10.4
	Mean	12.3	11.6	12.3	12.2	11.4	12.5	11.7	13.5	11.0	14.9	11.6	13.2

Sources: Earnings and hours worked, place of residence by local authority: ASHE Table 8 <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashtable8>

### 3.3. Housing costs and disposable income

If real pay per hour worked broadly tracks the national average, how does this translate into household disposable income when the cost of housing is rising? The after-housing-cost income of households is shaped by household composition – i.e. the size of the household and numbers that are economically active and part-time or full-time – and differences in tenure and regional housing costs – i.e. whether households own properties outright, with a mortgage, or are paying private rent or in social housing.

A lower proportion of Manchester households own their house outright thereby not paying a mortgage: in Bolton 33.2% of households own their property outright compared to just 16.5% in Manchester (Figure 3.5). Similarly, 30.3% of households in Manchester are paying private rent compared to 14% in Wigan and roughly 16% in Rochdale and Bolton.

**Figure 3.5: Household tenure pattern by region**

Area	Owned: Owns outright	Owned: owns with a mortgage	Shared ownership	Social rented from local authority	Social rented: Other social rented	Private rented: Private landlord or letting agency	Private rented: other private landlord
Rochdale	30.4	29.9	0.4	11.1	9.8	16.1	2.2
Bolton	33.2	28.3	0.4	10.6	9.3	15.8	2.2
Wigan	34.4	32.0	0.5	14.0	3.0	14.0	1.9
Manchester	16.5	20.7	0.8	11.4	18.1	30.3	2.0
Bury	34.4	32.5	0.4	8.3	6.6	15.6	2.0
Salford	22.0	25.0	0.6	11.8	13.6	24.9	1.9
Tameside	30.6	31.1	0.5	4.0	12.9	18.2	2.5
Oldham	31.5	28.8	0.4	8.1	13.1	15.3	2.4
Trafford	34.4	34.5	0.7	4.2	10.8	13.8	1.5
Stockport	36.7	34.4	1.2	7.8	5.5	12.8	1.5

Source: How your area has changed in 10 years: Census 2021 [ons.gov.uk](https://www.ons.gov.uk)

This puts financial pressure on households in Manchester because private rents are generally higher there than in outlying towns: Figure 3.6 shows that, on average, one and two-bedroom private rentals (median paid per month) in Rochdale, Bolton and Wigan are two-thirds of those in Manchester. Even in Salford, Stockport and Trafford rentals are 10–20 percent lower than Manchester average rentals for a 1 and 2 bed accommodation.

Manchester households also generally have higher mortgage costs because house prices are higher in Manchester; although, as noted, there are a smaller proportion of households in Manchester who own a property with a mortgage than in outlying areas. To illustrate we assume a terraced house valuation, 10 percent deposit and a 25-year capital repayment mortgage at 5.77 percent. A household buying in Manchester would have monthly mortgage expenses that are 57 percent higher than in Wigan (Figure 3.7).

**Figure 3.6: Private monthly rental (median) for regions year end March 2019**

Weekly rents (£)										
	Rochdale	Bolton	Wigan	Manchester	Bury	Salford	Tameside	Oldham	Trafford	Stockport
1 Bed	386	434	386	694	490	615	425	450	595	550
2 Bed	474	519	473	821	550	675	500	500	750	650
Weekly rents relative to Manchester (as a % of Manchester Rental)										
	Rochdale	Bolton	Wigan	Manchester	Bury	Salford	Tameside	Oldham	Trafford	Stockport
1 Bed	55.6	62.5	55.6	100.0	70.6	88.6	61.2	64.8	85.7	79.3
2 Bed	57.7	63.2	57.6	100.0	67.0	82.2	60.9	60.9	91.4	79.2

Source: Private rental market summary statistics: April 2018 to March 2019 – GOV.UK ([www.gov.uk](http://www.gov.uk))

**Figure 3.7: Estimated mortgage repayments for a terraced house in Local Authorities in Greater Manchester end March 2022**

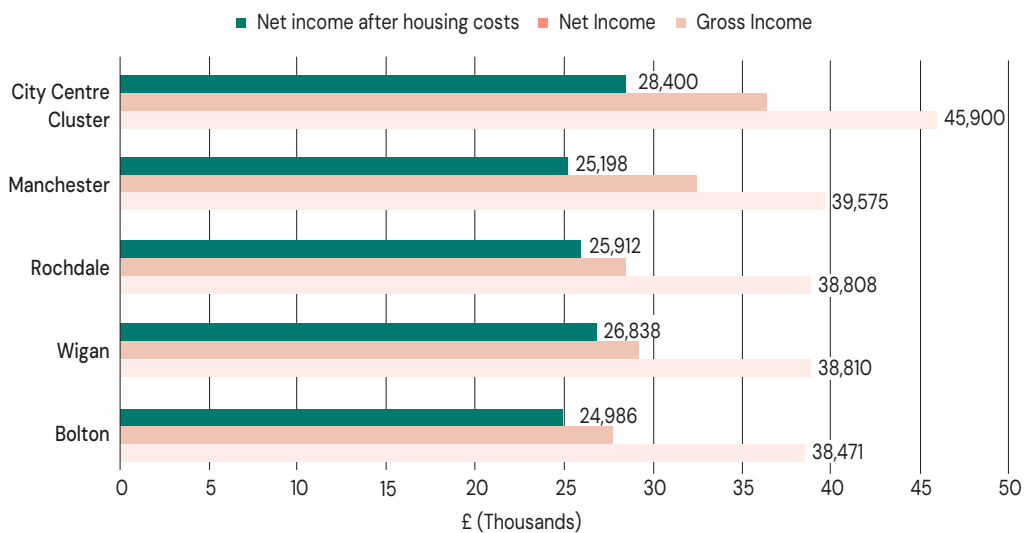
	Rochdale	Bolton	Wigan	Manchester
Terraced House (£000)	135,000	130,000	124,000	195,000
90% mortgage (£000)	121,500	117,000	111,600	175,500
Monthly repayments based on 5.77% average (£)	766	738	704	1,107

Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/medianhousepriceforationalandsnationalgeographiesquarterlyrollingyearhpssadataset09>

Figure 3.8 shows that average gross household income in Manchester is £39,600, a little higher than in other regions. But when certain living and housing costs are subtracted, the gap between Manchester and the regions narrows. Manchester's after tax and housing cost income is £25,200 whereas in Wigan it is £26,800. Even when we zoom in on the city centre cluster of central Manchester, the housing costs pull disposable income down considerably. This also has a demographic dimension too. Manchester city centre is much younger than in most outlying towns. This means that not only are younger households renting and therefore not building up capital investments through their properties, but that this high rental cost depresses their ability to save for the downpayments on any future property they might wish to buy. This creates a spiral effect.



Figure 3.8: Household income gross and net after housing costs<sup>39</sup>



Source: Income estimates for small areas, England and Wales – Office for National Statistics

### 3.4. A model for capital, not labour?

There are three implications that arise from this analysis:

- I. Although the property-led urban development model appears to have slightly increased productivity (real GVA per hour worked), **this is not having a transformative effect on real average pay per hour before housing costs.** There has been no ‘centrifugal’ effect, in other words.
- II. Once housing costs are factored in, the picture is even more bleak. Due in part to the rising costs of housing in the centre and the differences in tenure and demographic make-up between Manchester and other areas in Greater Manchester, **real household net income after housing costs is lower in Manchester than in some outlying towns.** This implies that the higher wages generated in Manchester city centre are effectively captured by rents, which are then sucked out of the region.
- III. The differences in tenure – the higher propensity for renting rather than owning – in Manchester also means that the **capital gains from property price appreciation are disproportionately appropriated by developers and investors, rather than households.**

In short, the productivity gains generated by property-led urban development are being captured by property investors not households. **This has the potential to lock multipliers into circuits of capital (rents are profits that are reinvested in new buildings) rather than local circuits of demand, consumption and investment.**

**This is indicative of a model that creates centripetal rather than centrifugal forms of economic circulation.** In the next section we explore the extractive dynamics of this model, analysing the forms of property ownership that have been built within central Manchester over the past decade, and the extent to which this acts as a model for capital not labour.

<sup>39</sup> Estimates of annual household income for Middle layer Super Output Areas, or local areas, in England and Wales. Our average for Manchester covers 60 output areas, Rochdale 25, Wigan, 40 and Bolton 35. Total annual household income is the sum of the gross income of every member of the household plus any income from benefits such as Working Families Tax Credit. Net annual household income is the sum of the net income of every member of the household. It is calculated using the same components as total income, but income is net of: income tax payments; national insurance contributions; domestic rates/council tax; contributions to occupational pension schemes; all maintenance and child support payments, which are deducted from the income of the person making the payments; and parental contribution to students living away from home. Net annual household income after housing costs (equivalised) is composed of the same elements of net household weekly income but is subject to the following deductions prior to the OECD’s equivalisation scale being applied: rent (gross of housing benefit); water rates, community water charges and council water charges; mortgage interest payments (net of any tax relief); structural insurance premiums (for owner occupiers); and ground rent and service charges. City Centre Cluster includes City Centre North & Collyhurst, Piccadilly & Ancoats, Cheetham Hill, University North & Whitworth Street, Strangeways, Hulme Park & St George’s, Castlefield & Deansgate.



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**In total we estimated that over the course of a decade as much as £67 million could have flowed back to MCC through section 106 contributions and be used in the local economy.**

# 4. The Problem of Extraction

## 4.1. Property-led development in Manchester

The adoption of a city-first, property-led urban development model by Manchester City Council can be traced to the Thatcher administration's abolition of Greater Manchester County Council in 1986. Those local government reforms oversaw a radical reduction of revenue raising and strategic resources previously available to local councils as part of a wider centralisation of state power. Then, the difficult question for the city's Labour council was how to encourage much needed urban development with restricted strategic powers and limited revenue raising capacities. The direction chosen by Graham Stringer's administration (1984–96) was to work with private developers in a bid to transform Manchester's hollowed-out city centre<sup>40</sup>. In the years that followed, property developers and investors were able to wield increasing power over the urban development process, leading to an explosion of high-density development from the late 1980s.

Manchester city centre's abundance of cheap brownfield land, readily convertible ex-industrial buildings and flat topography – combined with its location as a commercial and logistics hub for the north – made it amenable to high-density redevelopment. By 2001, the city centre population had expanded from a few hundred from the early 1990s to 10,000<sup>41</sup>. By 2021, an estimated 85,000 people lived within one mile of Piccadilly Gardens<sup>42</sup>. Beyond the centre, meanwhile, inner city areas were also transformed via demolitions and redevelopment including Hulme Crescents in 1992 as part of the City Challenge initiative and large parts of East Manchester in the run-up to the Commonwealth Games in 2004<sup>43</sup>.

The 2008–09 global financial crisis threatened to throw this property-led strategy off-course<sup>44</sup>, but the council doubled-down on this strategy and real estate markets rebounded after 2014, with Deloitte<sup>45</sup> estimating that the number of schemes under construction had surpassed 6,000 apartments per annum by 2016. These developments not only transformed the city centre's skyline, but have rekindled redevelopment in areas on its margins, such as Ancoats. However, these physical indicators are only one measure of success and do not mean all predictions about the Manchester model have been realised. The model's longer-term success must ultimately be measured in terms of where and for whom benefits are being accrued.

To answer this question, we have compiled a database that captures all residential development projects within Manchester's city-regional core from 2012–2020. This area (see Figure 4.1) covers Manchester city centre, the adjacent Salford districts of Greengate and Blackfriars, Salford Quays and Pomona. It incorporates three local authorities: Manchester, Salford and Trafford. Our data records developments over 15 units in size receiving planning permission within the zone. The period of 2012–2020 was chosen because of the scale and intensity of approvals and subsequent construction of high-density apartment blocks (see Figure 4.2). Our sample includes 155 development projects and covers 45,069 new housing units, split between Manchester (24,728 units, 54.9% of the sample across 91 projects), Salford (18,718 units, 41.5% of the sample across 59 projects) and Trafford (1623 housing units, 3.6% of the sample across five projects).

40 Folkman et al. (2016) 'Manchester Transformed: Why we need a reset of city region policy.' CRESC public interest report.

41 Nathan M and Urwin C (2005) 'City People: City centre living in the UK.' Centre for Cities.

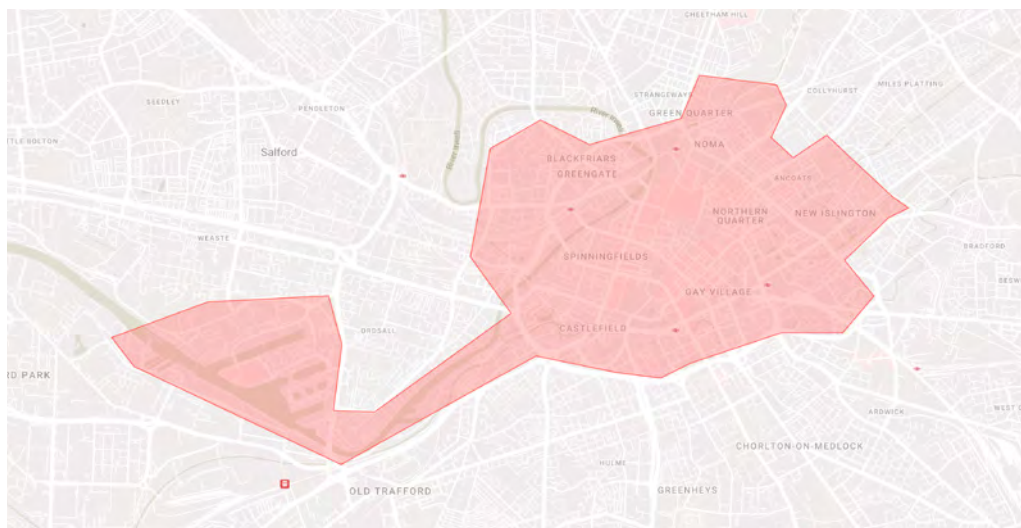
42 GMCA (2023) 'Census 2021 Briefing: Total population.' Greater Manchester Combined Authority, p.3.

43 Peck J and Ward K (2002) *City of Revolution: Restructuring Manchester*. Manchester: Manchester University Press.

44 Deloitte (2017) 'Transforming the Skyline: Manchester Crane Survey 2017.' London: Deloitte Real Estate: 7.

45 Deloitte (2021) 'Maintaining Momentum: Manchester Crane Survey 2021.' London: Deloitte Real Estate.

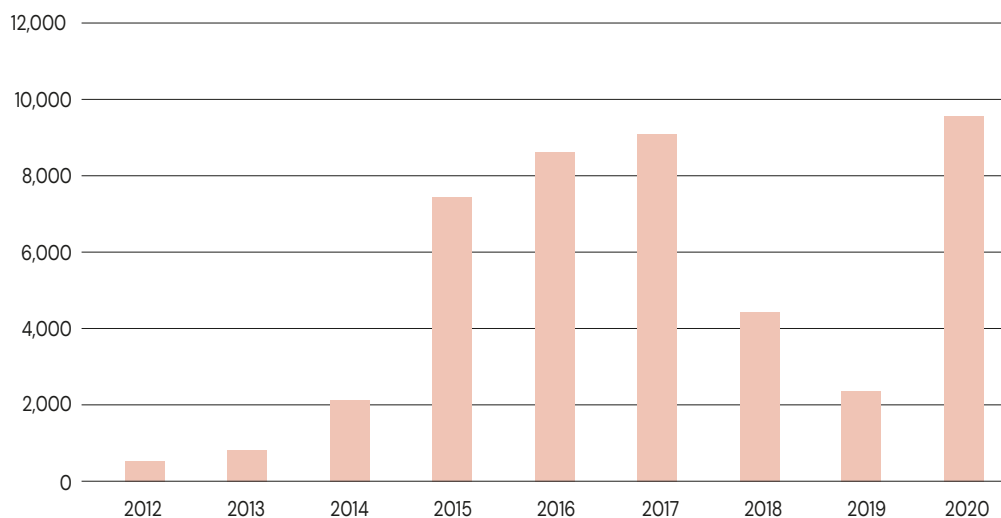
**Figure 4.1: Map of the city-regional centre of Greater Manchester**



Source: The authors; Map data ©2022 Google

While only a snapshot of (Greater) Manchester’s development boom, our data provides rich evidence as to the scale and intensity of residential development in the city-regional centre in the eight years from 2012 to the Covid-19 pandemic.

**Figure 4.2: Housing units receiving planning permission in the GM city-regional centre, 2012–2020**



Source: Authors' database

This allows us to explore some of the outcomes of this urban development model through the lens of centripetal and centrifugal forms of economic circulation. Whilst any analysis of this kind is likely to be incomplete, by bringing into view questions of public value capture, the use of public resources, the offshoring of returns and problems of extraction we aim to move the conversation towards the competition between different stakeholder claims. Instead, we ask whether the value retained within the city-region provides a platform for the development of centrifugal circuits of investment that provide long term prosperity for citizens, or centripetal circuits that operate for the benefit of capital, not labour.

## 4.2. A Failure to Capture Public Value

### 4.2.1. Affordable Housing and Section 106

In order to incentivise investors, housing and planning policies in Manchester and Salford have been relaxed to encourage inward investment into property assets. This includes allowing developers to avoid their normal obligations to ensure that developers contribute to city-wide targets that state 20% of new housebuilding should be 'affordable', or to make section 106 payments in lieu of these requirements.

As Figure 4.3 shows, there have been minimal affordable housing contributions by developers under section 106 of the Town and Country Planning Act 1990<sup>46</sup>. Out of a conservative estimate of the gross development value (GDV) of residential development in the city-regional centre of at least £8.3bn, total section 106 payments amounted to just £36.3m (0.4%), of which £20.9m was for infrastructure (0.3%) and £15.4m for affordable housing contributions (0.2%). For Manchester, affordable housing payments in the area from 2012 to 2020 came to just £9.2m, compared to £4.4m to Salford, and £1.9m for the much smaller area covered in Trafford.

**Figure 4.3: Total vs estimated affordable housing units across Manchester City Regional Core 2012–20**

Region	Total Units	Total Affordable	Total Affordable if 20% criteria had been applied in planning
GM City Regional Core	45,069	471	9,014
Manchester	22,908	151	4,583
Salford	18,718	320	3,745
Trafford	1,623	0	325

Source: Authors' database

While s106 contributions can also be paid in-kind through the inclusion of 'on-site' affordable housing, we could only identify 192 affordable homes provided in this way across our sample. When added to the 279 homes in our database earmarked specifically for affordable housing schemes, this brings **the total affordable housing receiving planning permission in the city-regional centre to 471 units – just 1.0% of the total sample over the 8-year period.**

This failure is partly the result of national policies, where national planning guidance in 2012 strengthened the capacity of developers to avoid affordable housing requirements on the grounds of 'viability'<sup>47</sup>. However, this is also a matter of local policy choice. Manchester City Council's 2012 Local Plan, for instance, included multiple clauses whereby developers could avoid making contributions in cases of 'significant development proposals critical to economic growth'<sup>48</sup>. This contrasts with the choices made by some London Boroughs, who set up teams to challenge developers in order to capture more public value via section 106 payments. For example, Southwark collected £86 million from 'Sums In Lieu' between 2012–2020 and £171 million in total through the s106 mechanism. They

46 Section 106 payments are negotiated between developers and local planning authorities for affordable housing, public realm improvements and other infrastructure. They are designed to allow local authorities to recapture some of the 'planning gain' uplift in land values that occur when a site receives planning permission.

47 Grayston R (2017) 'Slipping through the loophole: How viability assessments are reducing affordable housing supply in England.' Shelter.

48 Sagoe C (2019) 'Briefing Note: Manchester City Council's Affordable Housing Policy.' London: Shelter, pg. 4.

are also much more transparent about these contributions, developing their own online database<sup>49</sup>. **Manchester’s failure to capture public value via section 106 payments means less resource ‘sticks’ to the local area in this model of urban development, and thus more is taken out by developers.**

#### 4.2.2. The claim on public resources

A key mechanism for Local Authorities to support the property led, urban development model in many post-industrial cities including Manchester has been the use of public land within regeneration schemes. This has included through the **sale of public land at low prices to private developers as a way of de-risking investment in ‘regeneration areas’ and stimulating economic development activities**<sup>50</sup>. Such transfers of public land into private ownership have been a key feature of the property-led, urban development model in Manchester and elsewhere.

Developers in Greater Manchester have also benefitted from generous public resources. In 2014 GMCA was handed newly devolved powers<sup>51</sup>, which it used to create a Greater Manchester Spatial Framework (GMSF). This set out planning policies at a city-regional scale. This attracted significant public money through schemes such as the Greater Manchester Housing Investment Fund (HIF) – a loan facility originally worth £300m provided by national government and administered by GMCA<sup>52</sup>. **The HIF played a key role in de-risking residential property developments, and specifically ‘Build to Rent’ (BTR) development – i.e. purpose-built developments for let, owned at scale and under single professional management.** GMCA loaned out £167m in its initial HIF round to five BTR schemes and one ‘mixed scheme’ split between BTR and homes for sale (Figure 4.4). Altogether, these six projects comprised 3,033 units, or 67.7% of the total 4,483 housing units supported by the scheme once Build to Sell projects are included (Figure 4.5).

**Figure 4.4: Build to Rent and mixed sale/rent projects receiving GM Housing Investment Fund loan finance**

Scheme	Units	Public funding
Deansgate Square (Owen St)	1,508	£70,000,000
Circle Sq ‘Affinity Living’ (New Broadcast House site)	677	£36,300,000
Lampwick	213	£24,500,000
Local Blackfriars/Trinity	380	£17,000,000
Pomona Wharf/Manchester Waters	164	£10,300,000
Burlington House	91	£9,700,000
<b>Total</b>	<b>3,033</b>	<b>167,800,000</b>

Source: Authors’ database

- 49 Southwark Council (nd) ‘Section 106 Financial.’ Available at: <https://pfm.exacom.co.uk/southwark/s106.php> (accessed 22/02/25).
- 50 Gillespie and Silver, J (2021) ‘Who Owns the City? The privatisation of public land in Manchester.’ Available at: <http://www.gmhousingaction.com/wp-content/uploads/2021/05/Who-Owns-The-City-v1.9.pdf> (accessed 22/02/25).
- 51 Haughton G, Deas I, Hincks S, et al. (2016) ‘Mythic Manchester: Devo Manc, the northern powerhouse and rebalancing the English economy.’ *Cambridge Journal of Regions, Economy and Society* 9(2): 355–370.
- 52 Manchester City Council (2017) ‘The Greater Manchester Investment Fund. Report of the Strategic Director (Development) to the Economy Scrutiny Committee, 8 November.’

**Figure 4.5: Build to sell projects receiving GM Housing Investment Fund loan finance**

Scheme	Units	Public funding
Manchester New Square	351	£43,000,000
Wilburn Basin (Rivergate House)	491	£42,500,000
Crusader Works and Phoenix Building	201	£25,500,000
One Regent	301	£23,700,000
Islington Wharf Phase 4	106	£10,000,000
<b>Total</b>	<b>1,450</b>	<b>144,700,000</b>

Source: Authors' database

The fund has continued to be a key mechanism for supporting developers such as Renaker, the firm responsible for the cluster of skyscrapers in Deansgate. According to a Freedom of Information request in early 2023, Renaker has received £389.05m from the HIF, with £136.2m repaid<sup>53</sup>, demonstrating how even the larger developers make claims on public resources for high-end residential developments. Similarly, £103.1m of the total £121.3m in other public funding provided for projects in our database through initiatives including the government's Build to Rent programme and its centrally administered Housing Infrastructure Fund, were channelled narrowly into BTR developments (Figures 4.6 and 4.7). Local and national policymakers have therefore directly channelled loans to BTR developments that could have been allocated to other projects in the city-region.

**Figure 4.6: Build to Rent and mixed sale/rent projects receiving other public support**

Scheme	Units	Public funding	Source
Greengate Manchester	497	£35,100,000	Homes and Communities Agency
Middlewood Locks/New Maker Yards (Phase 1)	571	£35,000,000	Homes and Communities Agency
Chapel Wharf (Ph1)	995	£15,000,000	Home Building Fund
New Victoria	520	£10,074,000	Housing Infrastructure Fund
Tribe (Rodney Court)	64	£7,900,000	Homes England Build to Rent loan
<b>Total</b>	<b>2,647</b>	<b>£103,074,000</b>	

Source: Authors' database

53 Source: <https://www.whatdotheyknow.com/request/967277/response/2303203/attach/html/2/Response%20some%20exempt.pdf>. html (accessed 22/02/25).

**Figure 4.7: Build for Sale projects receiving other public support**

Scheme	Units	Public funding	Source
Vimto Gardens (New Bailey Plot E3)	92	£10,600,000	£3.4m from HCA's Get Britain Building programme, £3.4m from the GMCA Growing Places Fund and £3.8m loan from Salford council
Atelier Homes, Chapel Street	178	£7,600,000	£1.17m from central government housing infrastructure fund; £6.44m from Salford Council's Development Trust Account
<b>Total</b>	<b>270</b>	<b>£18,200,000</b>	

Source: Authors' database

### 4.3. The Emergence of Global Investors

Developers have received public funds but avoided section 106 payments. This reduces their risk and improves their financial returns. These attractive conditions have drawn in international investors and developers, particularly in the fast growing BTR sector which has been most supported by government loans and other funding.

Property construction in Manchester is most visible in the high-density, city centre developments. This development has taken two forms. First, apartment blocks developed by large regional developers such as Salboy or Renaker that are sold off-plan to individual buyers. Buyers are often based overseas, either operating through shell companies based in tax havens or small-scale middle-class investors based in places like Hong Kong or Singapore. Second, BTR projects owned at scale by institutional landlords such as pension funds or insurance companies and held for their long-term yield.

In our sample of listed real estate companies and professionally managed funds, privately owned funds including private equity funds account for 39.1% of these specific BTR units, with a further 14.0% involving pension funds and insurance companies and 13.4% by Real Estate Investment Trusts (REITs). Publicly listed real estate organisations, for example the Hong Kong based developers Far East Consortium, are involved in 24.1% of the BTR units in the dataset. Investment banks represent 9.3% of total BTR units (see Figure 4.8).



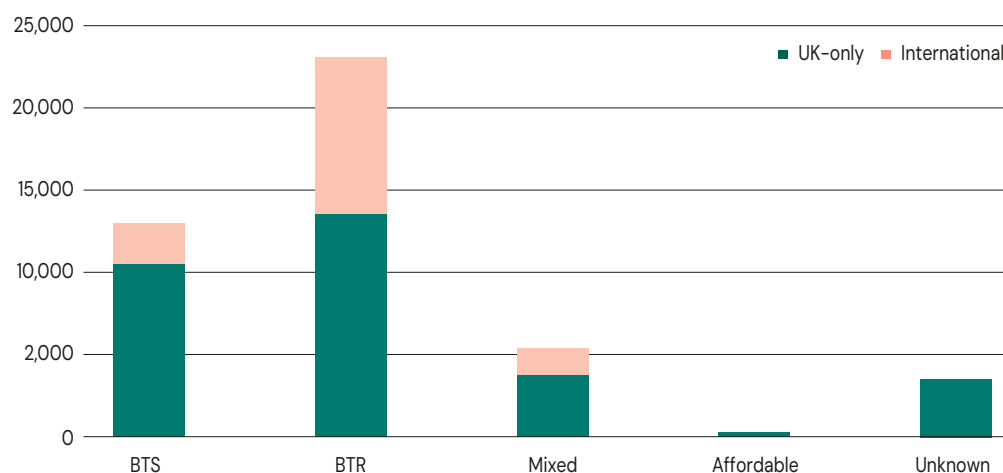
**Figure 4.8: Professionally managed funds engaged in real estate finance or development, GM city–regional centre (2012–2020)**

Type of actor	Build to Sell/mixed			Build to Rent		
	Projects	Housing units	% of total BTS/mixed units	Projects	Housing units	% of total BTR units
Private	6	1,632	24.5%	20	5,597	39.1%
Pensions/insurance	6	2,373	35.6%	8	2,003	14.0%
Listed real estate fund	9	2,511	37.7%	9	3,440	24.1%
REIT	0	0	0.0%	3	1,922	13.4%
Investment bank	0	0	0.0%	4	1,336	9.3%
Hedge fund	1	144	2.2%	0	0	0.0%
<b>Total</b>	<b>22</b>	<b>6,660</b>	<b>100.0%</b>	<b>44</b>	<b>14,298</b>	<b>100.0%</b>

Source: Authors' database

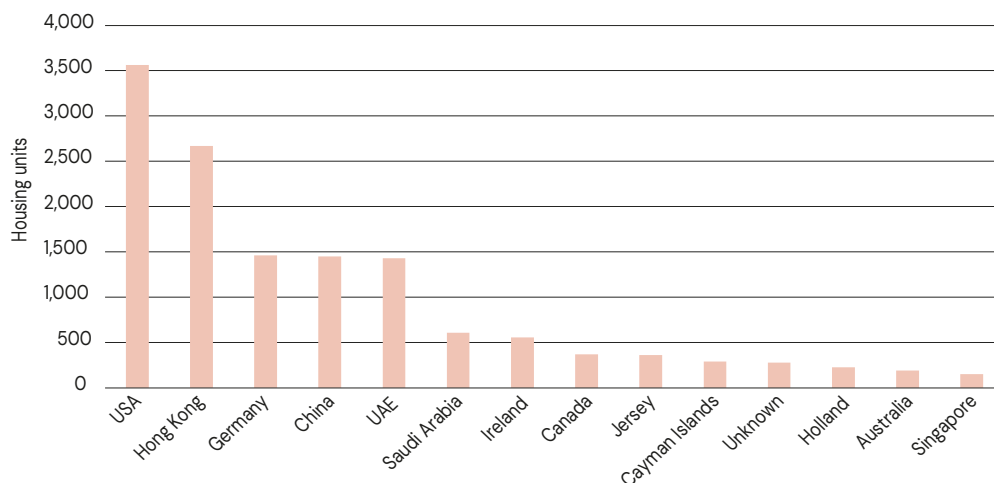
The growth of institutional investment in local BTR development also means investment is increasingly transnational. While most remains UK-based, 13,609 of the 45,069 units in our sample (30.2%) involved overseas financiers and investors (Figure 4.9). Broken down by tenure, this rate is higher for BTR than Buy to Sell (BTS), with 9,532 of 22,994 BTR units (41.5%) linked to overseas investors or development finance. In comparison, 2,411 of 12,910 BTS units (18.7%) attracted overseas development finance, showing the greater attractiveness of BTR for international investors (Figure 4.10).

**Figure 4.9. Source of development finance by tenure in the GM city–regional centre (2012–2020)**



Source: Authors' database

**Figure 4.10: Sources of overseas finance in the GM city–regional centre (2012–2020)**



Source: Authors' database

## 4.4. Investment or Extraction?

The combination of public funding support and local de-risking interventions have drawn international developers and investors into Manchester who have driven urban development. Supporters may argue that these were necessary concessions to drive Manchester's development aspirations, but it is also the case that these subsidies have allowed investors to capture comparatively higher yields for relatively little risk. How, then, should we understand this process of property-led urban development? Does it facilitate inward investment which benefits the city or outward extraction that feeds on it?

Returns are the other side of the investment relation in terms of monetary flows. But there is a point at which returns become extractive. The concept of extraction has been used by economists such as Mariana Mazzucato<sup>54</sup> and Brett Christophers<sup>55</sup> to examine the role of the housing sector in directing flows out of urban centres, moving the assets and returns into the altogether opaquer spaces of tax havens.

Concentrating on BTR developments, we have tried to estimate the rent generated within the city, focusing on 43 developments consisting of 13,895 housing units. We exclude one project, the 403-unit Echo Street scheme, as this has since been redeveloped as student accommodation. We used a (lower) estimate of £950 rent per unit per month to develop the model<sup>56</sup>, which would equate to at least £158 million of rental income per year (Figure 4.11). Some of this rent is recycled locally in the form of marketing, property management services, legal services and other forms of administration. But for many key developers, the lion's share moves offshore through tax havens like Jersey or Guernsey<sup>57</sup>, even though a proportion will then be used to repay the financing or purchase cost of the build or recycled into new developments.

- 54 Mazzucato M (2018) *The Value of Everything: Making and Taking in the Global Economy*. London: Allen Lane.
- 55 Christophers, B. (2020). *Rentier capitalism: Who owns the economy, and who pays for it?*. Verso Books.
- 56 Estimates based on average rent per Build to Rent unit of £950 per month, however we know that the Build to Rent sector charge higher rents given the extra facilities and services they provide (e.g. Moda Angel Gardens, 1 bed units start at £1300 per month) so our estimate is likely lower than the real value but also reflects that there might be some vacancy within these total units.
- 57 See the corporate structures of the Manchester Life development as an example in Goulding et al (2022) 'Manchester Offshored: A Public Interest Report on the Manchester Life Partnership Between Manchester City Council and The Abu Dhabi United Group.'

**Figure 4.11: Estimated rental flows for Build to Rent sector in Manchester City Regional Core**

58 Ibid.

Number of Units	Rental Income per month	Rental Income per year	Rental Income per decade
13,895	£13,200,250	£158,403,000	£1,584,030,000

Source: Authors' calculations

In our dataset 9,129 of these housing units involve overseas finance, suggesting that a significant share of that total flows out of the UK over the next decade (Figure 4.12).

**Figure 4.12: Estimated rental flows for Build to Rent sector involving overseas finance in Manchester City Regional Core**

Number of Units	Rental Income per month	Rental Income per year	Rental Income per decade
9,129	£8,672,550	£104,070,600	£1,040,706,000

Source: Authors' calculations

### An Example Of Extraction Through Public Private 'Joint Ventures'

In previous work *Manchester Offshored*<sup>58</sup> we undertook a follow-the-money analysis of the joint venture structure of the Manchester Life partnership between Manchester City Council (MCC) and Abu Dhabi United Group (ADUG). The financial details of this deal demonstrate the ways in which public investment or the foregoing contributions to public finance allow private actors such as ADUG to generate rents from the city that could otherwise circulate back into local services and future developments that have social and environmental benefits. These public-private partnerships are a key feature of urban development across UK cities (and another key aspect of the Manchester model) and often involve the public sector actors providing extra resources or allowing for certain types of financial arrangement beneficial to investors.

We found a range of public contributions by the local state to the partnership which included:

**No affordable housing and no Section 106 contributions**, which we estimated (using Nottingham County Council's Section 106 calculator) to be approximately £15 million.

**Land sales below comparable transactions** Using a baseline equivalent of a nearby development, Ancoats Gardens, of each unit costing £17,700 for the land, MCC could have generated a total of £17,292,900. This would have generated an additional £12,341,620 in income to the public purse, rather than the £4,951,280 that was actually received.

**Foregoing of rental or sales income** despite the partnership being a joint venture, all rental income went directly to the ADUG partner. The council claim there is an overage arrangement in place which would give them some return on this investment – but have to date refused to disclose its terms; and it is unclear whether it relates to all property assets or simply the Build for Sale assets. This meant that the Council failed to secure £10 million of profit on the Build for Sale assets and around £3 million per annum of rental income, which over a decade would add up to £30 million.

**Loan finance:** This totalled £55m from the Housing Investment Fund. This is to be repaid at commercial rates. Hence this is not money lost, but rather public support.

In total we estimated that over the course of a decade **as much as £67 million could have flowed back to MCC and be used in the local economy.**

All private investments expect a return, and local authorities need to consider how best to balance attracting investment for urban development and the longer-term costs of extractive rights offered to private investors. One criticism of Manchester's property-led urban development model is that this balance is out of kilter: the council has offered deals that are too generous to developers relative to the risks they take. A revisionist appraisal of why there is so much development in Manchester might therefore point to the council's lack of entrepreneurial nous when negotiating deals with developers on behalf of its citizens and its poor stewardship of public assets. Supporters point to the developers lining up to invest in Manchester's built environment. But a family who sells its silver too cheap will always have a queue of buyers outside its door.

If there are insufficient efforts to recoup public value, then developers/investors capture the wider benefits obtained from the development and its multipliers. For example, a BTR development that is substantively derisked at the public expense, has received grants, subsidies, cheap loans and other benefits, has no s106 commitment and little in the way of profit share obligations. In that case, the investor and corporate landlord may capture the agglomeration benefits (new skills brought into the region = better jobs, higher productivity & higher wages) through the rental profits (high rents = lower disposable income of residents, reducing local spend, limiting multipliers & creating fewer new business opportunities). This might be thought of as a competition between *capital supply* multipliers (the recycling of returns in further developments) and *Keynesian demand* multipliers (the benefits of productivity growth are taken by labour, who spend their money locally, creating new business opportunities).

The idea that the particularities of the negotiation outcomes between local authorities and developers may jeopardise the overall aims of the investment itself, raises additional questions about the externalities and opportunity costs created by this model. Our next section will examine this in the context of Manchester's gentrification and displacement.



# 5. Inner-city Pressures: Mapping state-led gentrification in central Manchester

## 5.1. Drivers of housing crisis

A common framing of the UK's housing crisis is that it is primarily a crisis of supply, with shortages driven by an overly bureaucratic and restrictive planning system that pushes up costs and locks out a generation of adults from home ownership. For think tanks such as Policy Exchange or the Centre for Cities, blame for this shortage lies with the UK's system of development control established under the Town and Country Planning Act 1947. Onerous restrictions, in this view, are caused by the rationing of land by local authorities vulnerable to political pressure and unable to efficiently allocate sites for development<sup>59</sup>. But that is a difficult argument to sustain when roughly 90% of applications across the country are approved by local authorities, and over 800,000 homes have received permission but have not been built out<sup>60</sup>.

Several economic studies do, however, suggest that additional supply can bring down housing costs, for example when old homes are freed up by people moving into new ones, with government estimates calculating that a 1% stock increase leads to a 2% decrease in prices<sup>61</sup>. But that may not be the case in all contexts. House pricing is complex and there are multiple drivers. The price of housing is also set by demand factors, such as rising incomes, low interest rates and the availability of mortgage finance<sup>62</sup>. They are also shaped by the social and spatial context of housing markets which create different dynamics in different places<sup>63</sup>.

Arguments based on supply are thus intuitively plausible because they focus attention on the physical availability of new housing stock. However, explanations of the housing crisis based on supply alone are flawed because they conflate housing's status as a commodity with its role as an income-generating asset<sup>64</sup>. Housing assets are composites. They depend on both bricks and mortar costs, and the land upon which it sits. And because land is finite, landowners can charge monopoly rents for the right of others to use their land. For landowners, the value of land is set by their perceptions about future rental income streams<sup>65</sup>. And when land rents are rising rapidly elsewhere in the city, housing developers become speculative traders in land markets, with incentives to bid up the price paid for land if they believe they can charge higher rents at some point in the future<sup>66</sup>.

With agglomeration dynamics pushing up the availability of land rents, an inadequate supply of affordable and social housing is therefore a chronic feature of urban land markets. This threatens displacement and insecurity through volatile asset bubbles, inflated costs and poor-quality, under-maintained homes.

- 59 Breach A (2020) 'Planning for the Future: How flexible zoning will end the housing crisis.' London: Centre for Cities; Watling S and Breach A (2023) 'The housebuilding crisis: The UK's 4 million missing homes.' London: Centre for Cities; Airey J and Doughty C (2020) 'Rethinking the Planning System for the 21st Century.' London: Policy Exchange.
- 60 Bradley Q (2020) 'Is Housing Land Supply Constrained by the Planning System?' In Inch A and Tait M (Eds.) *The Wrong Answers to the Wrong Questions: Countering the misconceptions driving the Government's planning reform agenda*, p.14. For a rebuttal of claims that the UK's planning system is a primary driver of increased housing costs, see Adams D and Watkins C (2014) 'The Value of Planning.' London: Royal Town Planning Institute; O'Brien P, Watkins C and Dunning R (2024) 'The Economics of Land Use Planning and Zoning.' In Gibb et al (Eds.) *The Routledge Handbook of Housing Economics*. London: Routledge: pp. 381-398.
- 61 MHCLG (2018) 'Analysis of the determinants of house price changes.' London: Ministry of Housing, Communities and Local Government. Available at: <https://www.gov.uk/government/publications/analysis-of-the-determinants-of-house-price-changes> (accessed 28/08/24). See Gleeson J (2023) 'The affordability impacts of new housing supply: A summary of recent research.' Housing Research Note 10, GLA Housing and Land, for an overview of this literature.
- 62 Ryan-Collins J, Lloyd T and Macfarlane L (2017) *Rethinking the Economics of Land and Housing*. Zed Books Ltd.
- 63 Blanco H and Neri L (2023) 'Knocking it Down and Mixing it Up: The impact of public housing regenerations.' IZA Institute of Labor Economics; see also Cho Y and Whitehead C (2022) 'Better Off Households Moving to More Deprived Areas: what is happening? Why?' *Journal of Housing and the Built Environment*, 37 (3): 1109 – 1130.
- 64 Clarke S and Ginsburg N (1976) 'The Political Economy of Housing.' In *Political Economy and the Housing Question*, 3–33. London: CSE Books.
- 65 Zacarés J (2024): 'Residential Accumulation: A Political Economy Framework.' *Housing, Theory and Society*, 41(1): 4–26.
- 66 Mahmoud S and Beswick J (2018) 'What Lies Beneath: How to fix the broken land system at the heart of our housing crisis.' London: New Economics Foundation. See also Foye C and Shepherd E (2023) 'Why Have the Volume Housebuilders Been So Profitable? The power of volume housebuilders and what this tells us about housing supply, the land market and the state.' UK Collaborative Centre for Housing Evidence; Letwin O (2018) 'Independent Review of Build Out: Final Report.' London: Ministry of Housing, Communities and Local Government.

While these dynamics are long-standing, cities in the UK have more recently seen the entry of a new set of actors and financial interests seeking to capture rents from housing. In the years since the 2008–09 financial crisis, new housing models such as BTR and short-term letting platforms such as Air BnB, have become more prominent within urban centres<sup>67</sup>. These enable investors to directly acquire and rent out housing to tenants at scale, introducing new power dynamics and new property relations into the built environment. Landlord models such as BTR are presented as offering a more professional alternative for younger renters in a badly regulated private rented sector dominated by small-scale buy-to-let landlords with poor standards and low-quality housing stock<sup>68</sup>. The BTR sector nonetheless predominantly houses a more affluent tenant base and rents within BTR are relatively high, with rental growth of over 12% for new BTR leases compared to an overall 4.2% rent increase for all private tenants in 2022<sup>69</sup>.

The impact on tenants of new technologically assisted management techniques within BTR remains poorly understood, as do the long-term implications of the entry into cities of a new set of corporate landlord interests<sup>70</sup>. While policy narratives remain dominated by supply-side agendas, one recent report by Manchester City Council conceded that the high expense of BTR developments could lead to 'new supply ostensibly adding to the inflationary pressures in parts of the city where new development has been most intense'<sup>71</sup>.

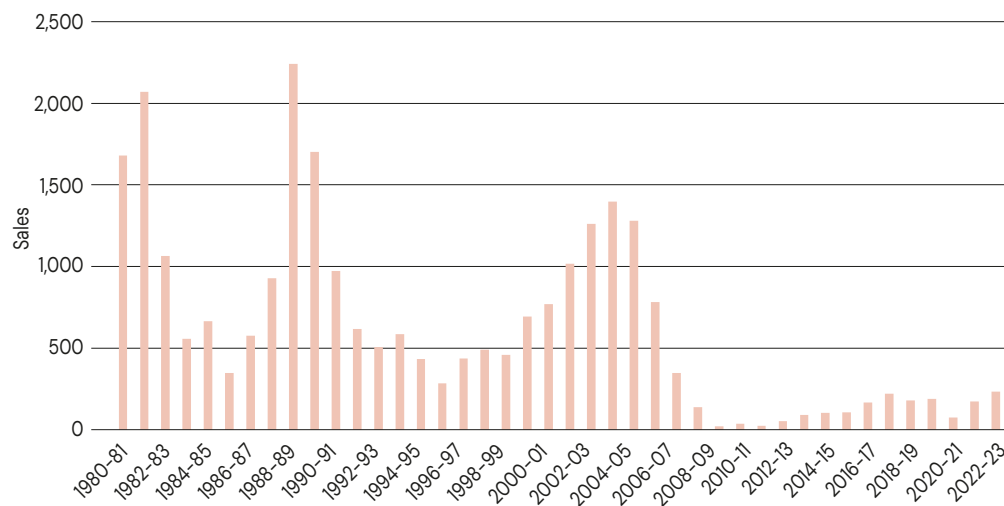
## 5.2. The housing crisis in Manchester

These features produce core-periphery dynamics in Greater Manchester's housing markets. Greater Manchester's real estate boom (see section 4) has expanded the stock of available housing in its city-regional centre considerably. According to Deloitte, over 25,640 housing units – mostly flats – were built in central Manchester and Salford between 2014 and 2023, with at least another 10,000 under construction as of 2024<sup>72</sup>. Despite this expansion, there are housing shortages for lower income groups and few vacancies for homeless individuals or families. The city of Manchester tied with Birmingham for the highest rates of homelessness for any large English city outside of London, according to the housing charity Shelter<sup>73</sup>. The historical losses of social housing stock and state-led gentrification programmes as part of the city's restructuring have exacerbated this crisis, producing a new set of displacement pressures on adjoining inner-city neighbourhoods.

Manchester's transformation from a city with extensive social housing and public land ownership to one where the city centre is dominated by private rental properties has been a long-term process. Post-war urban development in the city produced a ring of council estates that by the late 1980s surrounded an underpopulated city centre. Since the 1990s, the transformation of Manchester city centre has been accompanied by substantial urban restructuring in inner city neighbourhoods in areas such as Hulme, Miles Platting, Ancoats, Ardwick and Collyhurst.

- 67 Nethercote M (2019) 'Build-to-Rent and the Financialization of Rental Housing: Future research directions.' *Housing Studies*, 35(5): 839–874.
- 68 Brill F and Durrant D (2021) 'The Emergence of a Build to Rent Model: The role of narratives and discourses.' *Environment and Planning A: Economy and Space*, 53(5): 1140–1157.
- 69 HomeViews (2023) '2023 Build to Rent report'. HomeViews Insights. p.16
- 70 Fields D and Manon V (2022) 'Corporate Landlords and Market Power: What does the single-family rental boom mean for our housing future?' UC Berkeley.
- 71 Manchester City Council (2024) 'Work to Improve the Quality and Management of the Private Rented Sector.' Report to the Economy and Regeneration Scrutiny Committee, 3 September 2024.
- 72 Deloitte (2024) 'Manchester Crane Survey.' Available at: <https://www.deloitte.com/uk/en/Industries/real-estate/content/manchester-crane-survey.html> (accessed 23/08/24).
- 73 Homelessness, according to these estimates, includes the number of households in temporary accommodation and hostels alongside rough sleepers. See Shelter (2023) 'Homelessness in England 2023.' Shelter. Available at: <https://www.thinkhouse.org.uk/site/assets/files/2925/shell223.pdf> (accessed 23/08/24).

**Figure 5.1. Right to Buy Sales in Manchester, 1980/81 – 2022/23.**



Source: MHCLG Live Table 691: Right to Buy sales, by local authority.

Throughout this period, swathes of council housing were privatised through the Right to Buy policy first introduced by the Conservatives under the Thatcher administration, which enabled existing council tenants to buy their homes at a generous discount. Through Right to Buy, the city overall lost 25,768 social homes since 1980, including 11,587 sold between 1994 and 2019 (Figure 5.1). While around 30% of the city’s housing stock remains social housing, there are still outstanding levels of need: up to 2,775 households in the city remained trapped in temporary accommodation, with a further 6,422 in need of homelessness relief according to government figures<sup>74</sup>. The end of a private tenancy is still the most common reason for a household becoming homeless.

### 5.3. Social housing losses

This situation arises because Manchester’s track record in building new social housing to replace the homes lost since the 1980s has been poor, with social housing accounting for only 506 out of 23,364 homes built in the city from 2012–2022<sup>75</sup>. A further 2,706 other types of affordable homes, such as shared ownership or affordable rent were also built, but they do not provide the same protections as genuine social housing. Over 5,000 council homes in the city have been lost to Right to Buy since 2012, with little built to replace them<sup>76</sup>. With Manchester needing to double its current affordable housing supply from 500 to 1,000 homes each year until 2032 to meet its own housebuilding targets, more needs to be done to ensure developers pay their share.

An analysis of local authority figures shows that between 1994 and 2019 there was a net loss of 3,728 social homes in Manchester’s central neighbourhoods (Figure 5.2). Losses have been particularly severe in neighbourhoods to the north and east of the city centre, with Ancoats and Beswick losing 1,179 housing units, and Miles Platting and Newton Health losing 1,024. Ardwick, to the south east of Manchester city centre in a neighbourhood that has undergone multiple regeneration schemes under the Private Finance Initiative, also lost 1,241 units. Assuming an average household size of 2.39 as of the 2021 census, this means that 8,900 fewer people could access social housing by the end of this time period.

74 Source: Detailed local authority level tables: financial year 2022–23 URL Tables on homelessness – GOV.UK ([www.gov.uk](http://www.gov.uk))

75 Table 1011C (which is based on completions not new starts) in Live tables on affordable housing supply <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

76 Source: <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/calls-right-buy-policy-suspended-15154742>



**Figure 5.2: Social Housing Lost 1994–2019 in Selected City Centre/Inner-City Wards of Manchester**

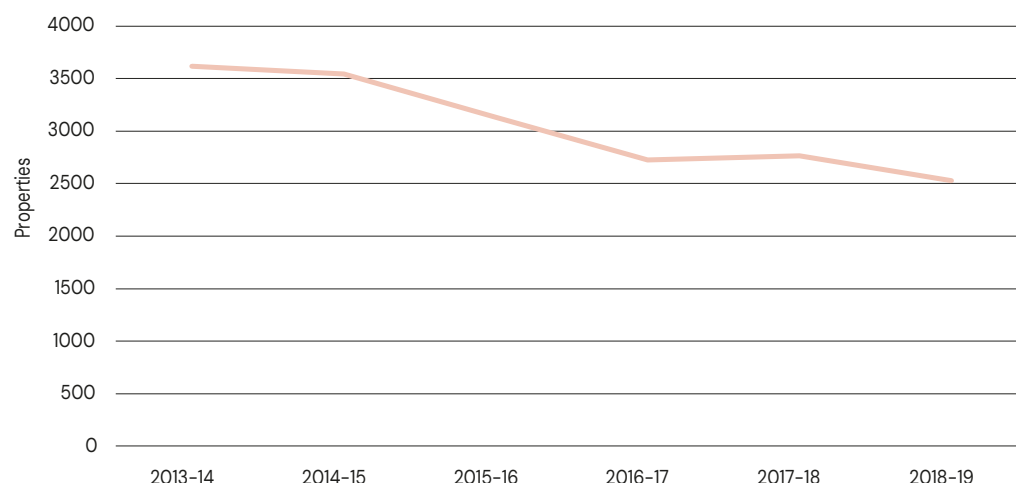
77 Stephens M, J Perry, P Williams and G Young (2022) '2022 UK Housing Review.' Chartered Institute of Housing.

Ward (2018 Boundaries)	Council Owned Stock 1994	Total 2019 Social Housing	Total lost 1994–2019
Ancoats/Beswick	2,781	1,602	-1,179
Piccadilly	107	264	-157
Deansgate	0	32	-32
Cheetham	1,870	1,632	-238
Miles Platting/ Newton Heath	5,236	4,212	-1,024
Hulme	2,675	2,440	-235
Ardwick	4,038	2,797	-1,241
<b>Total</b>	<b>16,707</b>	<b>12,979</b>	<b>-3,728</b>

Source: Freedom of Information request to Manchester City Council, author calculations.

Much of this housing has been lost through Right to Buy, which lies outside of the control of Manchester’s local politicians. The Right to Buy nonetheless has significant implications for understanding gentrification in central Manchester. While initially boosting home ownership, its longer-term consequences have been to increase housing stock available to the private rented sector (PRS), with 40% of homes bought under the scheme subsequently re-sold to private landlords<sup>77</sup>. This has had the knock-on effect of increasing rent and purchase prices. As a result of Right to Buy, council-led demolitions and the failure to replace overall losses, there are now far fewer social housing lets within the city (see Figure 5.3); and waiting times are at least five or six years.

**Figure 5.3: Properties that became available to let through Manchester Move 2013–2019**



Source: Manchester City Council, Housing Register and Lettings Data <https://democracy.manchester.gov.uk/documents/s11402/API%20Housing%20Register%20and%20Lettings%20Data.pdf>

As the Manchester Move website states, “Average waiting times for applicants in Band 2 with a 2022 to 2024 award date for 2 and 3 bed family homes will be in excess of 5 years and may be as high as 7 years”. They also state that “[n]o family

homes were let to applicants outside of Band 1 and Band 2” and “Average waiting times for applicants in Band 2 with an award date after 2021 for 4 bed and larger family homes will be well in excess of 6 years and may be as high as 10–12 years for those that have recently been placed in this band.”

78 Manchester City Council (2007) ‘Affordable Housing Trends in Manchester and Salford: Technical Report.’ Manchester Salford HMR Pathfinder; Report by Arc4, pg. 12. Available at: [https://www.manchester.gov.uk/downloads/download/1909/providing\\_for\\_housing\\_choice\\_supplementary\\_planning\\_document\\_and\\_planning\\_guidance](https://www.manchester.gov.uk/downloads/download/1909/providing_for_housing_choice_supplementary_planning_document_and_planning_guidance) (accessed 22/01/25).

## 5.4. Demolitions and direct displacement

Alongside Right to Buy, social housing stock has been extensively demolished through various schemes, beginning in the 1990s, designed to reconfigure inner city areas as prime investment opportunities. In the 2000s, Manchester City Council figures showed that an average of 500 council and housing association homes were demolished per year from 2001–2006, on top of the 1,300 properties sold per year during the same period<sup>78</sup>. At the same time, housing associations were only building an average of 320 properties per year. These demolitions, occurring in the context of central government-backed state-led gentrification schemes such as Housing Market Renewal, substantially transformed Manchester’s tenure mix by exacerbating net social housing losses in the years immediately preceding the financial crisis.

Within inner city Manchester, demolitions of social housing have been extensive. Drawing on data including Freedom of Information Act requests, media reports and policy documents, we estimate that a total of 1,529 current and former council homes were demolished as part of urban regeneration programmes in the neighbourhoods of Collyhurst (in Cheetham ward), Miles Platting, Ancoats and Ardwick between 2000 and 2023. This includes the demolition of maisonettes in Collyhurst, the Cardroom Estate in Ancoats, and of council properties and homes bought through the Right to Buy in Ardwick under two Private Finance Initiative (PFI) schemes (Figure 5.4).

**Figure 5.4: Demolition of homes in inner-city Manchester 2000–2023**

Ward	Number of Housing Units demolished	Number of Social Housing Units transferred to private Sector	New affordable completions	Net loss of social/ lower income housing
Collyhurst	350	180	130	400
Miles Platting	281	0	45	236
Ancoats	199	192	62	329
Ardwick	699	0	200	499
<b>TOTAL</b>	<b>1,529</b>	<b>372</b>	<b>437</b>	<b>1,464</b>

Source: Freedom of Information Act requests, media reports and policy documents

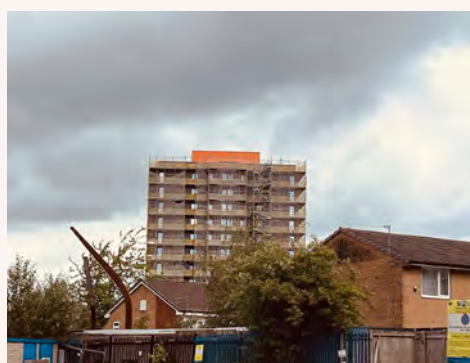
Alongside these initiatives, a further 372 homes were transferred to the private sector through the sale of six blocks of flats, three to Urban Splash in Collyhurst in 2008 and three in Ardwick in 2014 as part of the ‘Tribe’ development. Within these locations, just 437 new social and affordable homes have either been built or are in development, leading to a net loss of 1,468 former and current council homes on the northern and eastern fringes of the city centre over the past 23 years.

As we demonstrate below, the demolition of this housing has been accompanied by a transformation of tenure mix in these same areas. There are much larger proportions of market rate, more expensive housing whose rents are rising due to their proximity to Manchester city centre. In so doing, they are placed out of reach of existing working class communities, pushing out established residents further into the peripheries as part of a process of state-led gentrification.

## 5.5. Neighbourhood focus

These processes have played out in different ways across inner city neighbourhoods, reflecting different local conditions, council decisions, different housing stock and accessibility to finance. They do, however, demonstrate a common set of inner-city pressures.

### MILES PLATTING



Miles Platting is a neighbourhood just over one mile from Manchester city centre, lying to the north east of Ancoats and situated either side of the Rochdale Canal. Originally a factory district with its skyline dominated by mills, the area underwent extensive clearance programmes in the mid-20th Century, resulting in the construction of around 2,000 council homes. In 2007

the area was earmarked for regeneration through a 25-year PFI contract agreed between Manchester City Council and Renaissance Miles Platting, a private consortium split between two infrastructure funds named Equitix and HICL. The management of social homes in the estate was outsourced to the Jigsaw Housing Group.

Under the terms of the contract, 281 homes were demolished, 240 of which were council properties, 1,554 homes were refurbished, and 697 scheduled to be built, led by the developer Lovell. Of these homes, 652 are for open sale, 22 for social rent, and a further 23 for intermediate tenures such as shared ownership and Homebuy. With the bulk of replacement housing built for the private market, the consequence of the PFI has therefore been to unlock land for profitable development, at the cost of the net loss of social housing in the area.

This has created clear winners and losers. For instance, the Compulsory Purchase Order (CPO) process compensated owner occupiers at market rate for their housing (MCC, 2006), a figure we estimate at approximately £70,000 based on historical sale data from Rightmove for a 3 bed terrace on Nuneaton Drive, Miles Platting. This illustrative property was sold in 2006 (at the time of the CPO) for £71,500 and is currently on the market for £220,000. A new Lovell built terrace (3 bed) that would have been built on the cleared land is listed at £350,000. This suggests there has been a transfer of wealth from the working class community in Miles Platting to the developers Lovell and directly attributed to the actions of the council through the demolition and CPO process.

## ANCOATS



Ancoats was formerly one of the world's first industrial suburbs, characterised by a dense concentration of mills and back to back terrace housing on the eastern fringe of Manchester city centre.

Similarly to Miles Platting, clearance programmes in the mid-20th century led to the removal of terraces and the construction of the Cardroom Estate, comprising 199 council homes.

Mass unemployment and rising poverty from the 1960s and 70s led to the Cardroom becoming stigmatised as a 'sink' or 'problem' estate, leading to it being targeted in 2002 as a regeneration area under the New Labour government's (1997-2010) Millennium Communities Programme.

Under the programme, led by Urban Splash, the Cardroom Estate was demolished and the area rebranded as New Islington, a new neighbourhood marketed towards young professionals. This was a controversial process, with all six members of the community steering group resigning in 2006 in protest at the scheme. Although residents were informed they could return to the area, only 55 out of 106 families left at the stage of demolition could be rehoused in Ancoats as of 2012<sup>79</sup>. Following Urban Splash's near bankruptcy in the aftermath of the financial crisis, development has been led by the Abu Dhabi United Group, which using public land leased from Manchester City Council has built 1,678 apartments for private sale and rent.

Current rental prices are advertised for a one bedroom from £880 per month and for a 2 bedroom from £1060 per month. Given in Manchester, the monthly housing benefit allowance for a two-bedroom home is £648.22 these housing units are out of the reach for many in the local community.

79 Wainwright O (2012) How social housing in Manchester has reinvented the back-to-back. The Guardian. Available at: <http://www.theguardian.com/artanddesign/architecture-design-blog/2012/dec/18/social-housing-new-islington-manchester> (accessed 22/01/25).

## COLLYHURST



Collyhurst is an inner city area immediately north of Manchester city centre, dominated by council housing and set alongside the banks of the River Irk. The neighbourhood was earmarked for regeneration under a PFI project that was originally scheduled to begin in 2010. This was scrapped under the incoming Conservative-led coalition government, leaving housing in the area in need of investment. Anticipating further regeneration schemes in the area, Manchester City Council in 2014 demolished around 300 council homes on either side of Rochdale Road, leaving many areas of the estate derelict.

The form this regeneration would take was made clear in 2017 when the council announced that it was going into partnership with Far East Consortium International, a Hong Kong-based developer, with the intention of building

15,000 housing units over 15 years in an area of north Manchester including Collyhurst that has since been rebranded as Victoria North. Plans since this agreement have included the further demolition of around 50 homes in Collyhurst. An official traveller site in the area was also closed, before a replacement had been found<sup>80</sup>. While the council has stated that 20% of the housing within Victoria North will be classed as affordable, to date only 130 council homes have agreed to be built, representing a long-term net loss of social homes.

## ARDWICK

Ardwick is a neighbourhood that seems poised to experience massive transformation over the coming years given its proximity to existing urban development and can be understood as a gentrification frontier, which represents a space or divide between gentrified and ungentrified areas of the city. There are multiple plans that attempt to connect the city to the high density, high land value development across the inner-ring road.

Perhaps the most significant of these is a masterplan by architects Simpson Haugh, most renowned for their design of skyscrapers in the city centre and spanning 56 acres of Ardwick and accompanied by media reporting suggesting "Ardwick Is The New Ancoats". The masterplan includes a zone termed 'City-Gateway' that shows clear aspirations to bring the property-led urban development model into the inner-city. The results of this planning are already evident as AXA Investment Managers put the Downing Street Industrial Estate in Ardwick up for sale in November 2023 for £11 million while suggesting the 3.5-acre site could facilitate high-density market rate housing including a 46-storey tower<sup>81</sup>.

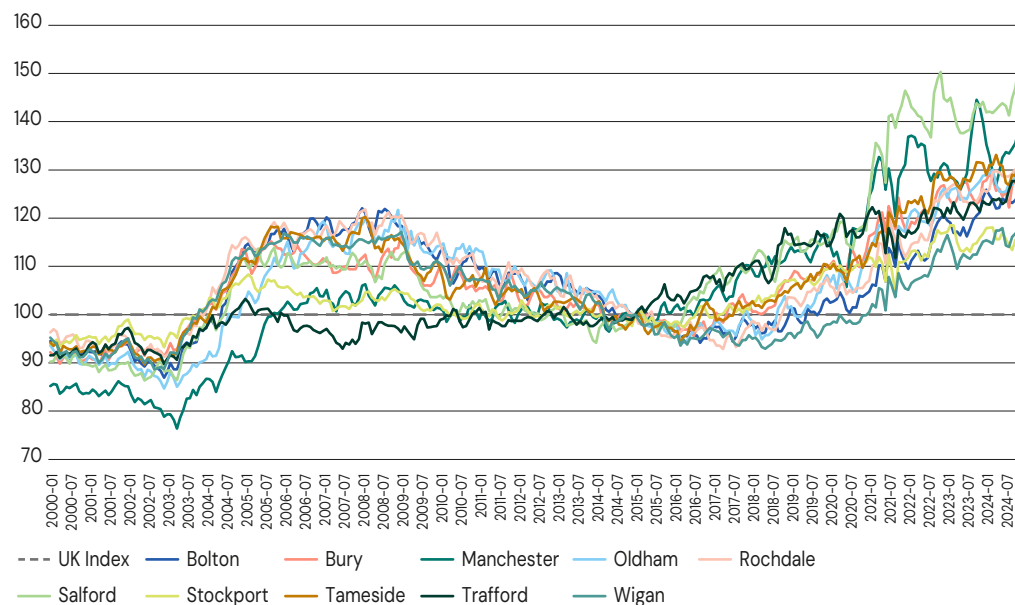
On the other side of the ward, facing Manchester University are plans for 700,000 sq ft of lab space and almost 2,000 student bedrooms across two connected projects are to be sited in the ward against much community opposition. Households now face the prospect of 30 story towers being built up against residential areas. Alongside Hulme the emergence of Purpose Built Student Accommodation (PBSA) in dense new urban development patterns threatens community cohesion and pressures on social infrastructure and has led to a passionate community campaign.

## 5.6. Rent increases and indirect displacement

It is often claimed that building more houses makes housing more affordable through simple supply and demand mechanisms. This oversimplifies the dynamics of house pricing, which can also respond to speculative interests<sup>82</sup>. In the local authority of Manchester where there has been significant development, house prices have risen faster than anywhere else in the country since 2000 (Figure 5.5a). This has also spilled over into all other areas surrounding Manchester, which have all risen faster than the UK average. Five areas are in the top 20 fastest rising house prices in the country since 2000 (Manchester, Oldham, Trafford, Salford, Bury)<sup>83</sup>.

- 80 Timan J (2022) Manchester's only official traveller camp closes before alternative site is secured. Manchester Evening News. Available at <https://www.manchestereveningnews.co.uk/news/greater-manchester-news/manchesters-only-official-traveller-camp-24178530> (accessed 12/01/24).
- 81 Whelan D (2023) Bids of £11m sought for Manchester development site. Place North West. Available at <https://www.placenorthwest.co.uk/bids-of-11m-sought-for-manchester-development-site/> (accessed 12/02/24).
- 82 See Shiller, R. J. (2000). *Irrational exuberance*. Princeton University Press.
- 83 Dubas-Fisher, D and Clyde-Smith, I (2023) 'Manchester house prices have gone up more than anywhere else in the COUNTRY in last two decades - latest data as map shows hotspot areas for profit.' Manchester Evening News. Available at: <https://www.manchestereveningnews.co.uk/news/property/manchester-house-prices-gone-up-27982466> (accessed 22/01/25).

**Figure 5.5a: Greater Manchester House Prices Indexed Against The National Average (UK = 100)**



Source: Land Registry Data

This increase in house prices feeds into, but also partly reflects, the dramatic rise in Private Rented Sector builds. The increasing popularity of PRS means many households on housing benefit are no longer able to access much of the housing market, driving both visible and hidden homelessness<sup>84</sup>.

As Figure 5.5b shows, for all selected areas housing benefit is not enough to cover average rent. In the city-centre, rents were at least 200% higher than housing benefits. With minimal levels of social housing, this leaves the poorest all but excluded from these neighbourhoods. This is increasingly the case for outlying areas such as Harpurhey, traditionally seen as affordable.

**Figure 5.5b: Mean Central Manchester Rental costs for housing benefit (private sector monthly)<sup>85</sup> (1 August 2023).**

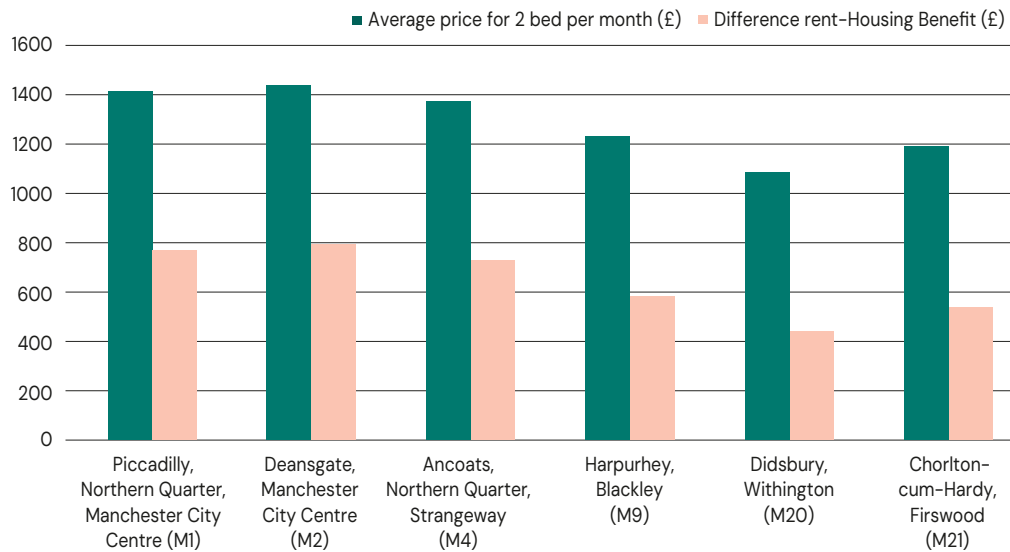
District	Average price for 2 bed per month (£)	% Housing Benefit to cover rent	Difference rent-Housing Benefit (£)
Piccadilly, Northern Quarter, Manchester City Centre (M1)	1414	218%	765.78
Deansgate, Manchester City Centre (M2)	1438	222%	789.78
Ancoats, Northern Quarter, Strangeways (M4)	1375	212%	726.78
Harpurhey, Blackley (M9)	1230	189%	580.78
Didsbury, Withington (M20)	1085	167%	435.78
Chorlton-cum-Hardy, Firswood (M21)	1189	183%	538.78

Source: Zoopla (Hometrack Data), held at the Urban Big Data Centre, University of Glasgow. Data collation and statistical analysis undertaken by Mark Burton (Steady State Manchester)

84 Crisis (2023) Freeze on housing benefit decimating low-income renters' ability to find secure homes. Available at: <https://www.crisis.org.uk/about-us/media-centre/freeze-on-housing-benefit-decimating-low-income-renters-ability-to-find-secure-homes/> (accessed 24/04/22).

85 Manchester City Council (nd) 'Local Housing Allowance (LHA) for private tenants.' Available at: [https://www.manchester.gov.uk/info/200008/benefits\\_and\\_support/4249/local\\_housing\\_allowance\\_lha\\_for\\_private\\_tenants/3](https://www.manchester.gov.uk/info/200008/benefits_and_support/4249/local_housing_allowance_lha_for_private_tenants/3) (accessed 22/01/25).

**Figure 5.6: Graph showing average rent vs extra required on top of housing benefit**



Source: Zoopla (Hometrack Data), held at the Urban Big Data Centre, University of Glasgow. Data collation and statistical analysis undertaken by Mark Burton (Steady State Manchester)

The demographic make-up of these areas includes many working-class households, who are spending ever-increasing amounts of income on rent. As Figure 5.7 shows these rents have increased significantly: monthly rent in 2022 for a one-, two- and three-bedroom units was £876, £1,200 and £2,308 respectively.

**Figure 5.7: Mean Central Manchester Rental costs (private sector monthly) – 1 August, 2023**

	1 Bed	2 Bed	3 Bed
2018	£724	£892	£1,200
2019	£740	£924	£1,328
2020	£740	£924	£1,384
2021	£784	£992	£1,476
2022	£876	£1,200	£2,308

Source: Zoopla (Hometrack Data), held at the Urban Big Data Centre, University of Glasgow. Data collation and statistical analysis undertaken by Mark Burton (Steady State Manchester).

## 5.7. The effect of high rents on house prices

Higher potential rents mean landlords are willing to pay more for properties. This feeds through into price increases in many inner-city neighbourhoods, as landlords buy up houses for various types of let including short term rentals such as those advertised on Airbnb<sup>86</sup>. Figure 5.8 shows rising prices for typical houses in Moss Side to Miles Platting and Ardwick, raising affordability problems for some local residents.

**Figure 5.8: House prices contemporary vs historic for Moss Side, Miles Platting and Ardwick properties**

MOSS SIDE Address	Description	Current Listing price (£)	2006	2005	2003	1995
Beresford Street	3 bed terrace	195,000	75,000	30,000		9,000
Seedly Street, Moss Side	4 bed terrace	250,000		30,000		
Chilworth Street, Moss Side	2 bed terrace	180,000	105,000		26,000	

MILES PLATTING Address	Description	Current Listing price (£)	2020	2006	2004	2001
Orsett Close, Miles Platting	3 bed terrace	285,000	165,000		25,000	
Broxton Street, Miles Platting	3 bed terrace	200,000				11,000
Nuneaton Drive, Miles Platting	3 bed terrace	220,000		71,500		

ARDWICK Address	Description	Current Listing price (£)	2016	2014
Oregon Close	3 bed terrace	290,000	182,995	182,995
Kinicarde Road	1 bed semi	162,000		71,000

Source: Rightmove

Rising house prices can be attributed to various factors (e.g. population growth and national market trends), but the spillover effects of city centre development is an additional and important factor in Manchester.

## 5.8. The gentrification frontier

The effects and impacts of the Manchester model are not wholly contained within its central spaces; it directly impacts other inner- and outer-city communities. The council's assessment of many inner city planning applications over the last decade deemed developer affordable/social housing and/or s106 contributions to be unnecessary because there was already sufficient supply of this type of housing. New private development was instead seen as an important driver of diversification in the market. For instance, the planning application for two Manchester Life developments in Ancoats suggested:



*'This approach is acceptable as the proposal help diversify the market within this area of Manchester, which is predominantly socially rented or privately owned. In this regard, there is already a high level of affordable housing in the immediate area and there is a demand for high quality privately rented accommodation to meet the needs of young professionals and young families'.*  
(Sawmill Court planning report)

*'The proposal will consist of properties for private rent and will therefore not include any affordable provision. In this instance it is considered that this approach is acceptable as the proposal seeks diversify [sic] the rental market within this area of Manchester, which is predominately socially rented, along with the other regeneration benefits the development will bring'.*  
(Cotton Field Wharf planning report)

Our data suggests that between 2012–2020 Manchester Council secured only a handful of these units, or S106 equivalents. This could have resourced replacement affordable or social housing units in these areas. The failure to capture public value in the planning process in order to ensure delivery of affordable/social housing is in contrast to other councils in the UK. As previously noted, the London Borough of Southwark collected over £171 million in s106 payments between 2012–20, compared to just £9 million in Manchester in the same period. There are, of course, very different conditions in Southwark, including higher land prices and the presence of dedicated planning department resources designed to capture public value in the planning process. There is no reason greater public value can't be captured by local authorities in Greater Manchester to help rebuild social housing. This is a notable failure of the model.



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**The Manchester model has focused more on the short-term, immediate need to attract ‘investment’ into the city. Its weakness is its neglect of issues that will dominate future decades (as well as the present) such as sustainability concerns, the housing crisis and climate change challenges.**

# 6. Re-assessing the Centripetal City

## 6.1. Summary of findings

Using Manchester as an approximate example of property-led urban development, we find that:

- A. The model relies heavily on direct and indirect public subsidies and public de-risking for private investors as a key policy tool (section 3). This takes the form of:
  - Low Section 106 payments which amounted to just £36.3m or 0.4% of our estimated £8.3bn gross development value (GDV) of residential development in the city-regional centre
  - Low affordable housing development, where just 471 units have received planning permission in the city-regional centre – just 1.0% of the total sample over the 8-year period analysed.
  - The extensive use of publicly funded grants and loans to incentivise or de-risk private development.
- B. A problem with extraction which means many benefits of agglomeration are privatised and taken out of the region by developers and landlords, reducing local economic benefit (section 4)
  - Our study conservatively calculates that at least £158 million of rental income flows out of the city-region per year just in the build to rent sector.
- C. Productivity and wage rises are captured by increasing housing costs, so that multipliers concentrate within circuits of capital rather than within demand and consumption (section 3)
  - Productivity increases in the city-regional centre do not trickle out into peripheral towns in the form of higher pay: real gross pay per hour falls in seven out of ten regions with only three very small increases in real gross pay per person per hour.
  - Higher productivity (GVA per hour) does not straightforwardly translate into higher gross pay per hour worked because labour's share of that GVA differs region by region
  - Although pay is higher in Manchester city centre, after housing cost disposable income is about the same as many outlying towns due to higher relative rents and mortgage payments.
- D. The production of new financial and social pressures on working class, inner-city neighbourhoods (section 5). This takes the form of:
  - Social housing losses as older estates are knocked down to make way for new, private developments
  - The presence of direct and indirect displacement as rent prices rise
  - A broad range of gentrification pressures.

The property-led urban development model is therefore **creating a more uneven regional urban fabric** – peripheral and semi-peripheral labour markets for skilled work are being hollowed out as skilled jobs concentrate in the urban centre of Manchester, leaving the young with little option but to move to the urban centre for work. This undermines the broad competences of the regions, producing an older, less skilled demographic in outlying towns that will find it harder to regenerate and attract external capital. There is at the same time **no automatic mechanism for meeting social housing needs** via this model of urban development. If capital demands concessions such as reduced or no s106 contributions, whilst expecting an accommodating planning process and easy access to cheap land, this will push lower income households out of the city centre without generating the funds or accommodation to house them.

87 Osborne G (2014) 'Chancellor: "We need a Northern powerhouse".' HM Treasury. Available at: <https://www.gov.uk/government/speeches/chancellor-we-need-a-northern-powerhouse> (accessed 22/01/25).

Supporters of property-led, urban development argue that city centre residential housing growth draws skills, finance and technology into a city, increasing productivity and wealth which spill-over into surrounding areas in a *centrifugal* manner<sup>87</sup>. Our research suggests that this assumption is misplaced: it is characterised by processes of resource centralisation and extraction which produce *centripetal* forms of economic circulation. We find that while skills, capital and other resources are pulled towards urban centres which produce productivity increases, those increases do not mechanically translate into rising real wage costs per hour, indicating that spillovers are limited. Moreover, we find that in urban centres where real wages per hour do increase, **rising rents and mortgage payments consume an increasing proportion of after-tax income, meaning the benefits of wage gains are effectively captured by housing investors.**

These findings suggest **an urban development model that works for investors more than households**; and goes some way to explaining the limited spillovers into towns outside the city-regional core where stubborn problems of growth, productivity and poverty persist.

At one level this 'inward-and-upward' process of centralisation and extraction concentrates economic multipliers within circuits of capital rather than in circuits of demand in urban centres, as the productivity gains that flow through to households are effectively captured by real estate investors via rising rents, which are recycled into new developments. Keynesian demand multipliers therefore struggle to materialise because private consumption is capped by rising housing costs.

At another our findings suggest that the city-first model encourages the young and skilled to travel to, or live and work in, those urban centres rather than stay in outlying towns. While the grants, loans and other forms of public subsidy used to encourage investment in urban centres make it harder for peripheral areas to attract capital: given the choice of a de-risked investment in the city centre for a comparatively high yield, or a riskier investment out of town for the same or only marginally higher return, investors are more likely to choose the former. The combined effects of skills and capital drift hollow out the broad competences of peripheral towns.

This is a centripetal model – labour and capital are pulled towards urban centres, whilst the productivity benefits of agglomeration are captured by housing investors via higher rents, which are pulled out of the area into tax havens, before being recycled back into new developments to begin the process again. This produces, in our view, a misleading 'Potemkin Village' effect which transfixes media and public debate about urban development models, whereby impressive transformations in urban skylines belie relatively untransformed household experiences. This is because the combination of rapid house building plus abstractions about urban agglomeration and market forces ignore the *extractive rights* – i.e. the contractual rights to profit – handed over in this process; and where those rights are used to remit income out of the area into tax havens.

## 6.2. Beyond the Centripetal City

There are alternatives to this city first, property led model of urban development. But city regions such as Greater Manchester as well as the newly elected national government need a different time frame from which to appraise success. The local and national state also needs to engage seriously with alternative models of urban development. Our forthcoming report will outline some possibilities.

Much urban policy is judged in a short-term way by the presence of cranes and skyscrapers, measures of investment-in and narratives of post-industrial rebirth while ignoring immediate social problems such as the housing crisis. Moreover, industrial Manchester was more than a century in the making, which means it is important to consider the ways in which our current model of urban development locks in certain path dependencies. We might think of these as different speeds or timespans of urban transformation.

Firstly, there is the immediate need of a city-region with a declining economy to attract economic growth and new construction activity. But second, there is a need to consider how this rebuilding might shape the city decades hence through more sustainable forms of urbanism or planning. Thirdly, there is a need to focus on generational shifts, understanding of challenges that might face the city well into the future, such as the impact of climate change.

**The Manchester model has focused more on the short-term, immediate need to attract 'investment' into the city. Its weakness is its neglect of issues that will dominate future decades (as well as the present) such as sustainability concerns, the housing crisis and climate change challenges.**

This can set in train several other problems within and across city-regions such as Greater Manchester especially if the current government support and intensify this approach to urban development:

- It may produce a 'race to the bottom' as local authorities vie with one another to create favourable conditions for developers with grants and subsidies, the relaxation of affordable housing requirements, cheap land deals and other incentives<sup>88</sup>. This may diminish the potential value that might have accrued to local councils from their finite land assets; or drain their resources that might have been applied more productively elsewhere.

- It may also redirect regional flows of investment and skills, if it pulls finance to city centres and away from their peripheries or encourages young graduates to leave peripheral areas for their nearest city centre, hollowing out the ability of outlying towns to regenerate.
- It may, consequently, hit productivity growth limits quickly. It may be possible to assemble labour, capital and technology quickly by moving productive people from relatively unproductive jobs in the peripheries towards more productive tasks in a city centre ('extensive' growth). But this does not automatically generate longer term improvements in the per unit efficiency of capital and labour inputs ('intensive' growth)<sup>89</sup>.

89 Wilczynski J (1972). *Extensive and Intensive Growth. In: Socialist Economic Development and Reforms.* Palgrave Macmillan, London.

In our accompanying report, '*Centrifugal Cities: An Alternative Model of Urban Development*', we propose a different urban development model that seeks to embed *centrifugal* rather than centripetal circuits of investment and expenditure that empower local actors and generate positive cycles of community wealth building and social inclusion.

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