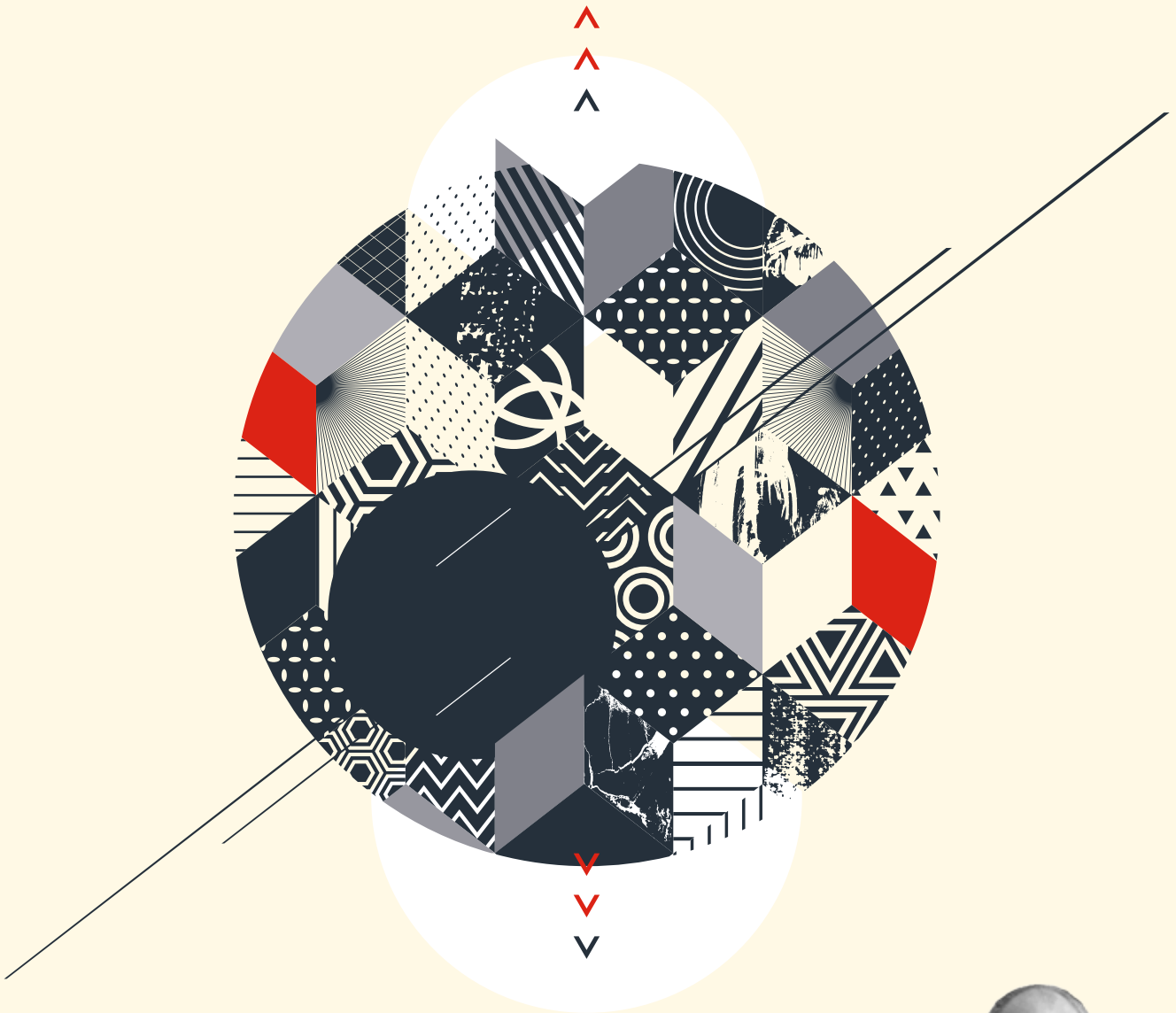


**MANCHESTER** 30 MARCH, 2017  
GUEST SPEAKER **PAUL BEARDMORE** PRESENTED:

“THE VALUE OF MODULAR CONSTRUCTION  
IN REVITALISING THE HOUSING MARKET”



## EXECUTIVE SUMMARY

**Housing in Manchester is experiencing a significant turnaround, with an overall rise in residential developments demonstrating a new confidence in the market. Despite this growth, there is still significant undersupply to meet demand, presenting a major opportunity for investors and developers to embrace alternative methods of construction and new partnerships to bring forward development.**

Kim Vernau, CEO, BLP Insurance highlights the key points raised at an interactive discussion organised for industry peers on the value of modular construction in revitalising the housing market. Guest speaker, Paul Beardmore, director of housing at Manchester City Council, provided an engaging insight into the council's approach to residential growth in the city, and the essential need for collaboration and shared vision between the development and construction industry and key policy makers.

## INTRODUCTION

The planned housing target for Manchester is at least 2,500 new homes per year, but this figure has not always been achieved. In common with much of the UK, Manchester has experienced a downturn in the development of new homes in recent years, dropping from a high of 3,500 completions in 2008 to just 900 in 2015. The tide is now changing, and last year saw 7,000 new build starts on sites across the city.

Greater Manchester has been clear in its commitment to increase the pace of residential growth. Plans are already being implemented to drive this significant turnaround in the provision of new housing; from the policy support that the city gives for the promotion of institutional PRS, to the increasing focus on modular off-site development in revitalising the housing market.

## HOUSING STRATEGY IN GREATER MANCHESTER

Greater Manchester has a total of around 68,000 social rented houses, including over a third of the housing stock of Manchester City Council. With such large supply available, increasing quantity has ceased to be a priority. Instead, it is about making sure that the right type of social housing is available to meet demand. This involves removing old, outdated and badly designed housing and replacing it with properties which are more appropriate to the affordable housing market in Greater Manchester.

This is especially relevant for Manchester's ageing population, with a large proportion of Manchester City Council's social housing tenants now over the age of 55. Consideration must therefore be given to whether there is a better housing solution for this age group, as evidenced by the Village 135 development recently completed in South Manchester. By creating an extra care retirement village, on a much tighter and intensified development footprint, 135 family houses have been released to help meet rising demand for social housing in the city.

Another key characteristic of Greater Manchester's housing market is that it has a disproportionately higher number of low value properties, with over 65% of existing housing stock in council

tax band A. It has been a consistent strategy of Manchester City Council over the past 15 years to encourage higher value residential development.

There is also a drive towards a more mixed housing economy in terms of tenure, particularly around increasing owner occupation in Manchester. Over the past seven years this has been particularly challenging, but we're now seeing the return of demand for owner occupation in Manchester's city centre once again outstripping supply.

## BRIDGING THE SUPPLY AND DEMAND GAP

Greater Manchester is feeling the impact of the broader UK housing crisis, with supply failing to keep pace with the demand from a growing population. Rental prices are on the rise and, despite being on a level plateau for the last few years, house prices are now also starting to increase. Occupancy rates are also increasing; the steady downward trend that has been going for decades is now bottoming out and there is a reversal in the number of people occupying properties.

The Greater Manchester Spatial Framework has identified a need for approximately 11,500 new homes a year to meet demand, with recent calculations showing that only 0.4% of the city's housing stock is available to rent or buy. This equates to just 85 properties in total.

With over 8,000 units for housing currently being built within Manchester's inner ring road, the question now falls on whether this could result in over-supply. The counter argument is that demand has built up to such an extent that we now need to meet a massive latent demand for new housing over the upcoming years, as well as ensuring that there is a pipeline of development to satisfy future growth. In the past, it has also been the outer suburbs of Greater Manchester where the mainstay of new housing has trickled through, versus city centre development.

## LAYING THE FOUNDATIONS FOR DEVELOPMENT

The Greater Manchester Spatial Framework (GMSF) has been developed as a joint plan to ensure that there is the right land in the right places to deliver the homes needed up to 2035. Approximately 75% of those



sites identified for residential development across the conurbation are brownfield, and the challenge now is how to turn these sites into an attractive proposition to take forward. Inevitably, this is likely to involve an element of public money to remediate the site and put in the required infrastructure. The strategy has therefore been to identify large sites which can accommodate an extra five to ten thousand houses.

Placemaking is the biggest single most important thing when it comes to creating development opportunities and identifying land for development across the city. In essence it means adopting a multi-faceted approach to the planning, design and management of sites, and encouraging collaboration of those disciplines involved in creating the end product, including investors.

One significant partnership set up under this type of arrangement is Manchester Life, where a large investment partner from the Middle East has entered into a joint venture with Manchester County Council to build up to 1,000 units on site. A similar methodology is also being applied to the Northern Gateway which has the capacity for up to ten thousand new homes. The role of pension funds in funding developments now and in the future should also not be underestimated, and to this end Manchester City Council has partnered with a pension fund on a joint development, Matrix Homes.

Manchester City Council is also working alongside the city's 26 registered housing providers. As well as collectively developing a memorandum of understanding, perhaps of most importance is the group's collaborative approach to bringing forward residential developments in a programmed way across a series of different sites.

### **MERITS OF MODULAR CONSTRUCTION**

Modular construction has long been voiced as a potential solution to the UK's housing supply crisis, to help overcome issues around shortages in skilled labour and materials to build. Looking into how this could work in practice, Manchester City Council collaborated with other developers to share in their learning experiences with this type of construction. Each committed to building 500 sites through individual development programmes across Greater Manchester and Liverpool. The Council also entered into a knowledge transfer partnership with Salford University for the purpose of market testing and market surveying.

One of the key challenges that has arisen through this work, is not around the manufacturing but around how you get the product on site efficiently. Part of the issue is the disconnect between the manufacturer

and the organisation doing the ground work. In the absence of an end-to-end process in place this has given rise to costs which far exceed the cost of a traditional build site. It is hoped that government's recent rhetoric about the role of offsite modular housing in meeting the UK's housing shortage will drive increased investment into the sector to overcome this hurdle.

From a local authority perspective, a significant issue around modular construction comes down to the risk involved, brought about by the limited sight of the end product working in practice. Scepticism remains around lower life cycle costs and lower maintenance associated with a factory build, and there needs to be real evidence that this is a better and superior product if we're going to get buy-in from the whole industry.

There also needs to be a more joined up approach which is consistent across the country as a whole. For example, road use rules for transporting heavy goods vary between the different local authorities. If we are going to be successful at meeting the government's ambitious housing targets, some of the softer issues that can make all the difference between the success or failure of an individual project need to be addressed as part of a wider conversation.

### **CONCLUSION**

There is a requirement to build an extra 5,000 homes in Greater Manchester alone, above and beyond the figures that are already being achieved. The question therefore boils down to who is going to build them and how. Building on the successes of Manchester City Council's partnerships with investors, the next step is to have similar partnerships with those disciplines involved in delivering the final product. Only by doing this will we have the ability to create a pipeline of development to meet supply, with the requisite placemaking and onsite delivery and assembly.

There is a long way to go and a lot of work still left to do. However, it is testament to the strength of the proposition of modular construction that we are still here, and there is no doubt that we are on the cusp of a product that can deliver the numbers of homes needed to meet growing demand.

**Paul has been director of housing at Manchester City Council since 2009** and has played an important role in pushing housing up the agenda as Greater Manchester steamed ahead with its landmark devolution deal with the government. He is also Chief Executive of Manchester Place, a unique delivery vehicle for driving and facilitating residential development in Manchester.



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**An interactive discussion on the value of modular construction in revitalising the housing market.**

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