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Rest of UK: The Five Cities

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The North Is Not One Market. It Is Three Trades Wearing One Headline.

Read the headline and the story writes itself. ONS data for the year to April 2026 puts the North East top of every English region for house price growth, 9.9% annually, while London fell 2.1% over the same period. Every fund manager with a map and a pitch deck is pointing at that number right now and calling it the North's moment. What the pitch leaves out is that the cities actually raising capital, the ones anchoring every regional rotation conversation in 2026, are Manchester, Birmingham, Leeds, Bristol and Liverpool. Not the North East. Not one of those five cities is generating anything close to 9.9%. The number doing all the work in the headline and the cities doing all the work in investors' portfolios are not the same place, and that gap is the whole story this edition is actually about.

That reading is not wrong. It is incomplete in a way that matters to anyone actually placing capital. Look inside the five cities that anchor this rotation and the single trade dissolves into at least three. Two cities are compounding price growth and rent growth in the same cycle. One has the strongest income numbers in the entire dataset, delivered through exactly the stock type carrying the steepest cost inflation in the country. One is, on its own local data, barely moving. And one is falling on price while its rental market does almost all of the talking. None of that is visible from a national average or a single regional headline.

The structural signal the headline misses is not regional. It is a cost structure question. Across all five cities, houses and semis are outperforming flats, the same divergence Edition 02 identified in the South East, but for a different reason. In the commuter belt it was buyer identity: space and a school catchment over a convenience flat. Here it is the building itself. Leasehold service charges have risen faster in the North West and North East over the past five years than anywhere else in England, and that cost sits directly between the rental yield an investor models and the rental yield an investor actually receives.

The investor who allocates to rest of UK as one trade will get two of these five cities right by accident and misread the other three with real conviction. The one who can separate a capital growth city from an income city, and an income city from a cost trap wearing an income city's numbers, will find genuine and durable opportunity in places the headline correctly identifies but for reasons it does not explain.

THE REAL DIVERGENCE

The headline regional number deserves scrutiny before it is used as an investment thesis. ONS's June 2026 release shows UK house prices up 3.8% in the year to April 2026, a sharp jump from 0.0% the month before. The North East's standout 9.9% reading is, by ONS's own account, exaggerated by a base effect: large monthly price falls a year earlier, coinciding with last April's stamp duty reversion, are now dropping out of the comparison and inflating the annual rate. That is not a reason to dismiss northern momentum. It is a reason not to treat one number as the whole story, and it is exactly why the North East gets a watchlist line in this edition rather than a chapter. A number this flattered by its own base effect has not earned one yet.

Inside the five cities this edition actually covers, the picture is genuinely mixed rather than uniformly hot, whatever the regional average wants you to believe. Liverpool rose 2.9% to an average of £182,000 in the year to March 2026. Leeds rose 2.3% to £244,000. Manchester rose 1.4% to £248,000. Birmingham was essentially flat at £233,000. Bristol fell 2.6% to £348,000, the only one of the five moving backwards on price. Set against the North East's 9.9%, none of these five major cities is delivering the headline number on its own, which tells an investor something the regional average does not: the rotation is real, but it is not evenly distributed even among the cities best placed to benefit from it.

The rental side tells a sharper story. Bristol's rents rose 8.0% in the year to April 2026, the strongest figure in this dataset and well ahead of the 5.1% rise across the South West. Liverpool's rents rose 6.3%, ahead of the North West's 5.8%. Birmingham rose 3.3%, Manchester 3.0%, Leeds 2.6%, all positive but materially behind Bristol and Liverpool. The cities with the weakest price growth and the strongest rent growth, Bristol above all, are not contradictions. They are buyers' markets with income support underneath them, the same combination Edition 02 flagged in Guildford. The cities with stronger price growth and weaker rent growth, Liverpool aside, are compounding in the other direction.

Underneath both numbers sits the same property type split in every single city. Manchester semis rose 3.9% while flats fell 1.4%. Leeds semis rose 3.4%, flats fell 2.0%. Liverpool semis rose 4.5%, flats fell 1.4%. Bristol's flats fell 5.4%, the steepest decline of the five and well beyond its own already negative headline. Whatever the regional growth rate, houses are pulling ahead of flats in every one of these cities. The next section explains why, and it has nothing to do with demand.

Manchester and Liverpool are the only two of these five cities compounding price growth and rent growth in the same cycle. Birmingham's income numbers are the strongest in the dataset, but they are arriving through the same leasehold flat stock carrying the steepest cost inflation in the country. Bristol's falling price alongside its surging rent is not a contradiction to wait out. It is a buying window with a limited shelf life. Leeds offers liquidity, not conviction, and liquidity alone is not worth a premium.

THE SERVICE CHARGE DRAG

Stamp duty does not do the same work here that it does in the South East. At these price points, even the additional dwelling surcharge is a fraction of what an investor faces in the commuter belt. An investor buying at the Liverpool average of £182,000 as a second property pays £10,240 in stamp duty. The same buyer at the Manchester average of £248,000 pays £14,860. At the Bristol average of £348,000, the most expensive of the five cities, the figure is £24,800. Compare that with the £66,950 an investor pays at the Elmbridge average covered in Edition 02, and the arithmetic is not subtle. The entry cost advantage in rest of UK cities is structural, not marginal.

The real drag sits somewhere else: in the leasehold flat stock that delivers much of the rental growth this edition has identified. Hamptons' 2025 data puts the average annual service charge in England and Wales at £2,405, the first time the figure has passed £200 a month, up 4.6% on the year and 32.6% over five years, comfortably outpacing inflation. The regional split is the part that matters here. Service charges in the North West and North East have risen by around 57% to 60% over the past five years, against roughly 27% across southern England. Northern cities have built more city centre blocks with lifts, gyms and concierge services over that period, and leaseholders are now paying for them every year, not just on purchase.

Run the numbers on a typical Liverpool flat. At the city's average flat price of around £155,000 and a gross rental yield in the 6% range that local agents and forecasters consistently cite for the city, that is roughly £9,300 a year in rent. A one bed service charge at the current national average of around £2,000 to £2,300 consumes close to a quarter of that gross figure before a mortgage payment, an insurance premium or a single void week is accounted for. That is not a reason to avoid flats in these cities altogether. It is a reason to underwrite the service charge with the same seriousness as the purchase price, because in this edition's data it is doing more to explain why flats underperform houses than any factor related to demand.

£2,405	60%	25%
Average annual leasehold service charge England and Wales, 2025	*Service charge rise, North West and North East England, five years to 2025*	*Approx. share of gross rent absorbed by service charge, average Liverpool flat*

THE FIVE CITIES WORTH READING CAREFULLY

Manchester

Areas to watch: Didsbury, Chorlton, Altrincham, Fallowfield, Ancoats.

Manchester's average price reached £248,000 in March 2026, up 1.4% on the year, with semi detached values rising 3.9% while flats fell 1.4%. Home movers paid £287,000, cash buyers £232,000, both essentially flat against last year, which tells its own story: this is a market where mortgaged buyers are doing the work, not cash buyers chasing a peak. Average rents reached £1,349 in April 2026, up 3.0% on the year, a slower rental rise than Liverpool or Bristol but starting from the highest absolute rent of the five cities, with yields in core postcodes commonly cited between 5% and 6.5% and pockets such as Fallowfield reaching higher still. Manchester's economy keeps doing the heavy lifting behind the numbers: a deep graduate retention base, a genuine technology and creative sector, and a city centre population still growing toward its planned 100,000 residents.

> *Investor read: Manchester is the cleanest combined capital and income story in this edition. Allocate to family houses and semis in established neighbourhoods first, and treat new build city centre flats as a service charge adjusted yield calculation, not a headline yield one.*

Birmingham

Areas to watch: Edgbaston, Harborne, Moseley, Jewellery Quarter, Bournville.

Birmingham's average price was £233,000 in March 2026, essentially unchanged on the year, with first time buyer and mortgaged purchase prices both flat too. Rents reached £1,086 in April 2026, up 3.3%, slightly behind the West Midlands' 4.5% regional rise. JLL's Big Six report found Birmingham leading its six tracked cities for new build apartment growth in the year to mid 2025, with prices up 5.6% and rents up 6%, and has consistently flagged a multi year rent growth figure that dwarfs price growth across the same stock. That is the strongest income argument in this dataset. It is also concentrated in exactly the new build leasehold flat stock now carrying the country's steepest service charge inflation, much of it tied to the Smithfield and Paradise regeneration pipeline still moving from planning into delivery.

> *Investor read: The income numbers are real, but they belong mostly to flats. Houses in established Birmingham suburbs carry less headline excitement and a cleaner net yield once the service charge line is subtracted.*

Leeds

Areas to watch: Chapel Allerton, Roundhay, Headingley, Horsforth, Meanwood.

Leeds reached £244,000 in March 2026, up 2.3% on the year, ahead of a Yorkshire and the Humber regional average that was essentially flat over the same window. Semi detached values rose 3.4%, flats fell 2.0%. Rents reached £1,133 in April 2026, up 2.6%, the slowest rental rise of the five cities and well behind the region's own 4.7% growth rate. Leeds carries the highest transaction volume in West Yorkshire, genuine liquidity that several independent trackers confirm, and JLL's most recent Big Six reading found new build apartment prices and rents in Leeds barely moving over the past year, in line with the pattern in Manchester's own new build segment but without Manchester's underlying city wide momentum to compensate.

> *Investor read: Leeds is liquid, not lucrative. A market this easy to trade in and out of deserves a place in a portfolio for that reason alone, but not at a premium price that assumes growth its own data has not yet delivered.*

Bristol

Areas to watch: Clifton, Redland, Cotham, Southville, Bedminster.

Bristol's average price fell 2.6% to £348,000 in the year to March 2026, the only one of the five cities moving backwards, with flats down a sharper 5.4% and semi detached values essentially flat. Set against that, rents rose 8.0% to £1,885 in April 2026, the strongest rental growth figure in this entire dataset and well ahead of the South West's 5.1% regional rise. Bristol already carries the highest house price to earnings ratio among England's Core Cities, so the price softening is best read as a market correcting an affordability ceiling rather than losing fundamental demand. Aerospace, technology and financial services employment keep the tenant base deep even as the purchase market resets.

> *Investor read: This is the cleanest price soft, rent strong combination in the data, the same signal Edition 02 identified in Guildford. Patient buyers willing to look past a falling headline price will find income arithmetic the price chart alone does not show.*

Liverpool

Areas to watch: Aigburth, Allerton, Woolton, Sefton Park, Baltic Triangle.

Liverpool's average price rose 2.9% to £182,000 in March 2026, the lowest entry price of the five cities and one of the more affordable postcode areas in England and Wales on a median earnings basis. Semi detached values rose 4.5%, flats fell 1.4%. Rents rose 6.3% to £897 in April 2026, ahead of the North West's own 5.8% growth rate, with gross yields commonly cited in the 6% to 8% range, the highest of the five cities. Liverpool is compounding on both metrics from the lowest base, which is precisely why the service charge drag identified earlier in this edition matters most here. A flat purchased on a headline 6% yield gives back close to a quarter of that gross figure to the building before any other cost is considered.

> *Investor read: Liverpool offers the lowest entry price and the strongest combined momentum of the five cities. Condition, lease terms and service charge history deserve more diligence here than anywhere else in this edition, because they are what will actually determine the return.*

Watchlist: Newcastle and the North East. The region carries the highest annual house price growth in England at 9.9%, but ONS attributes much of that figure to a base effect from last year's stamp duty driven price falls dropping out of the comparison, not to confirmed new demand. Worth a second look once another data print clarifies whether the momentum is real. Until then, the only thing confirmed about the North East's number is how often it gets repeated by people who have not checked it.

SELECTED DATA SIGNALS

£270,000 *UK average house price Year to April 2026*	**9.9%** *North East house price inflation Year to April 2026, highest in England*	**−2.1%** *London house price change Year to April 2026*	**2.4%** *Big Six new build apartment price growth, JLL, early 2026*
8.0% *Bristol rent growth year on year April 2026*	**6.3%** *Liverpool rent growth year on year April 2026*	**£1,381** *UK average private rent April 2026*	**60%** *Northern service charge rise Five years to 2025*

THE SANDHÜTEL READ

Rest of UK is not a single rotation away from London. It is three different markets sharing one regional label, and the headline growth rate belongs to none of the five cities investors are actually being sold.

Two signals in this edition point in the same direction. Manchester and Liverpool are the only cities compounding price growth and rent growth together, and both are doing it from the more affordable end of the five, £248,000 and £182,000 against Bristol's £348,000. Set that against Birmingham, where the income numbers are the strongest in the dataset but arrive through new build leasehold flats in the same stock carrying the country's steepest service charge inflation, and a third signal completes the picture: the cities generating the most attractive headline yield are not automatically the cities generating the most attractive net yield.

The allocation argument follows directly. Capital should go first to houses and semis in Manchester and Liverpool, where price and rent are moving together and the building itself is not quietly taking a quarter of the return. Birmingham and Bristol both reward a more selective approach, houses over new build flats in Birmingham, patience with a falling headline price in Bristol, where the rental market has already done the work the purchase price has not yet caught up to. Leeds does not currently justify a premium allocation on its own data, and the North East's standout regional number is, on ONS's own admission, a statistical echo of last year's stamp duty shock rather than confirmed momentum. It is a watch, not a buy, and it is certainly not the sixth city this edition declined to write about.

At Sandhütel, the discipline travels with the postcode. We do not price a rental yield before subtracting what the building itself will take back, and we do not mistake a regional headline for a return that has actually been underwritten.

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