

**Regeneration Policies and Property Markets:
Evaluating Economic Sustainability of Manchester
Office Market**

Thesis submitted by

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Declaration

I, Chien-Ling Lo, confirm that the work presented in this thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

Manchester, 12th January 2023

Abstract

Since the late 1970s, the role of property markets has increasingly been emphasised within regeneration policies. The academic debates concerning the state-market relations in property and the performance of regeneration markets for attracting institutional investment are important and relevant topics. However, literatures of these two themes are mostly disengaged. Consequently, there is little attention given to the endeavours that intend to link these two aspects in the context of market sustainability. This research aims to explore whether urban policy fosters economic sustainability of the regeneration real estate market by strengthening the scope of its maturity, resilience and competitiveness with the influence of municipal planning instruments and political leadership through regeneration policies. The methodological design of this research employs a mixed method that encompasses a quantitative measurement by using the index analysis, a case study approach and semi-structured interviews which are analysed from a qualitative perspective. The empirical evidence denotes that regeneration policies debatably have an indirect but positive impact on the evolution of the office market in Manchester from 1967 to 2017. First, the research findings conclude that 'vision-led' regeneration policies effectively shape the development of the property market to achieve a higher level of market sustainability with a robust co-operation between the state and private actors. Second, to attract institutional investment into regeneration, a clear and viable vision of how to regenerate the deprived areas in a city from a local authority is deemed an essential factor. Third, the effectiveness of regeneration strategic frameworks utilised by Manchester City Council (MCC) proves a plausible approach to effectuate this aim by enhancing certainty and reducing risks with

the backing of MCC to boost confidence and competitiveness for property development and investment.

Impact Statement

One of the aims of this thesis is to extend our limited but important understanding relating to the connections between real estate research and planning studies, specialising in the areas of urban regeneration and local office market for the purpose of exploring the usefulness and probability of fostering sustainable property markets and securing sustainable funding for regeneration developments. This issue is deemed particularly pressing because of the staggering large public deficit in the central government finances and severe funding cuts for local authorities. Therefore this research seeks to contribute towards searching for new concepts and approaches to the problem of obtaining the necessary money for the state to continue to undertake the required programmes to regenerate localities which suffer multiple issues associated with their economic, social and environmental development.

The findings of this thesis consequently could provide policymakers, real estate and planning practitioners insights into policy design and everyday tasks to advance the achievement of sustainable markets and funding in regeneration areas. Additionally, the discussions and findings based on the analysis of the new property index constructed in this research, which expand on the current statistics on local regeneration properties, allow us to better comprehend the market performance of regeneration properties which has been compared to the mainstream market in order to evaluate the effectiveness of regeneration policies. Furthermore, this analysis fills the gap of missing information to convince and explain to prospective private investors, who have been deterred from being involved in such markets due to the lack of information regarding potential risks and returns, to invest in regeneration markets.

The introduction of economic sustainability in this thesis highlights the need for more research into local economic resilience after the occurrence of COVID-19 and its impact on considerations in land use and office design. The notion of market sustainability in regeneration areas can be further tested in the aftermath of the Brexit agreement in the UK in the aspects of changing market dynamics and investor behaviour.

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Table of Contents

Declaration.....	2
Abstract.....	3
Impact Statement.....	5
Acknowledgements.....	7
List of Tables.....	14
List of Figures	15
Abbreviations	16
Part One: The Framework	17
Chapter 1. Regeneration Policies and Sustainable Markets	18
1.1 Introduction	18
1.2 Background.....	20
1.3 Problematization and research niche	27
1.4 Market sustainability as an evaluative indicator	31
1.5 Research questions and objectives	33
1.6 Research design	36
1.7 Structure of the thesis chapters	37
Chapter 2. Economic Regeneration and Sustainable Real Estate Markets	40
2.1 Introduction	40
2.2 Economic Sustainability in Regeneration Real Estate Markets.....	41
2.3 Sustainability and Market maturity	45
2.3.1 Defining market maturity.....	45
2.3.2 Characteristics of Market Maturity.....	49
2.4 Economic Resilience and Regeneration Markets.....	54
2.4.1 Regeneration Office Market, Resilience and Investment Risk.....	54
2.4.2 Characteristics of Economic Resilience	60
2.5 Urban Regeneration and Economic Competitiveness.....	67
2.5.1 Competitiveness for Inward Investment	67

2.5.2 Characteristics of Competitiveness for Investment.....	71
2.6 Conceptual Framework of Market Sustainability	76
2.7 Conclusion	79
Chapter 3. Local Regeneration Policies and Market Sustainability	80
3.1 Introduction	80
3.2 Sustainable Regeneration Funding.....	81
3.2.1 Sustainable Markets and Institutional Investors	82
3.2.2 Regeneration Funding and Investment	83
3.3 Connectivity of Vision and Implementation in Regeneration	86
3.3.1 Political Leadership to Advance Market Sustainability.....	88
3.3.2 Leadership and Policy Implementation	90
3.3.3 Visions and Regeneration Partnerships	92
3.4 The Risk Element and Regeneration Markets.....	94
3.4.1 Distribution of Risk and Private Funding.....	98
3.4.2 The Perception of Risk and Mutual Learning.....	102
3.4.3 Market-related Contribution to Planning	106
3.5 Analytical Framework of Market Sustainability.....	111
3.6 Conclusion	115
Chapter 4. Research Methodology	117
4.1 Introduction	117
4.2 Conceptual Framework for Market Sustainability.....	117
4.3 Mixed Method	118
4.3.1 Research Design	118
4.3.2 Case-Study Approach	123
4.3.3 Data Collection	124
4.3.4 Archival Survey.....	124
4.3.5 Indicators and Measurements	126
4.4 Quantitative Method.....	133
4.4.1 The Research Areas and Time Period	133
4.4.2 Index Analysis.....	135
4.5 Qualitative Method	146

4.5.1 Semi-Structured Interviews	146
4.5.2 The Groups of Interviewees	150
4.5.3 Number of Interviews	152
4.5.4 Ethical Conduct of The Interview	154
4.6 The Analytical Strategies and Limitations	163
4.6.1 Interpreting Quantitative Data	163
4.6.2 Interpreting Qualitative Data	164
4.6.3 Integrating Data Sets.....	165
4.7 Conclusion	166
Part Two: The Empirical Data	168
Chapter 5. Regeneration and office market in Manchester	169
5.1 Introduction	169
5.2 A Shrinking City Bounced Back	170
5.3 Central-local Government Relations and Manchester Regeneration Regime	173
5.3.1 National Policies and Manchester' Regeneration Strategies.....	173
5.3.2 Leadership of the MCC.....	180
5.3.3 Manchester Regeneration Regime	182
5.4 Regeneration Strategies in Manchester	184
5.4.1 1961 Plan and 1967 City Centre Map	184
5.4.2 1984 Local Plan and 1994 City Pride	187
5.4.3 1996 IRA Bomb.....	189
5.4.4 2003 Strategic Plan	195
5.4.5 2012 and 2015 Strategic Plans.....	200
5.5 The Development of Manchester Office Market.....	200
5.6 Interplay Between Local Political Vision and Market Development.....	206
5.7 Urban Regeneration and Political Leaders as Market Actors.....	210
5.8 Conclusion	213
Chapter 6. Regeneration property index	217
6.1 Introduction	217
6.2 Rental Value and Investment Risk	217

6.3 Research Area and Office Transactions	218
6.3.1 Defining Regeneration Areas	218
6.3.2 Transactions for Rental Values	220
6.4 The Construction of a Real Estate Index	223
6.4.1 Mean and Median	224
6.5 Property Cycles.....	227
6.6 The Analysis Outcomes	230
6.6.1 Market Maturity.....	230
6.6.1.1 Rental Value	231
6.6.1.2 Rental Growth	236
6.6.1.3 Nominal and Real Value	237
6.6.1.4 Real Rental Growth	238
6.6.2 Economic Resilience.....	240
6.6.2.1 Resilience and Volatility	240
6.6.2.2 Economic Resilience and Investment Risk	242
6.6.2.3 Standard Deviation and Investment Risk.....	243
6.6.3 Competitiveness for Investment.....	244
6.6.3.1 Investment Volume.....	244
6.6.3.2 Rental Value of Regional Cities	245
6.7 Conclusion	249
Chapter 7. Economic Regeneration and Market Actors	252
7.1 Introduction	252
7.2 Economic Regeneration and Market Sustainability.....	253
7.3 Market Maturity	254
7.3.1 The Involvement of Institutional Investors in Regeneration Areas	255
7.3.1.1 The Perception of Regeneration Investment.....	255
7.3.1.2 Funding Regeneration Development	259
7.3.1.3 Policy Impact on Regeneration Investment.....	260
7.3.1.4 Decision-making Process.....	264
7.4 Economic Resilience.....	267
7.4.1 The Effectiveness of Local Governance	269
7.4.1.1 Economic Resilience and Mutual Learning on Risk.....	269

7.4.2 The Effectiveness of Local Authority Leadership	273
7.4.2.1 The Process of Formulating ‘Manchester Vision’	273
7.4.2.2 Delivering the Vision via Regeneration	275
7.4.2.3 Regeneration Strategies and Market Force	278
7.4.2.4 Economic Resilience, Property Cycles & Recovery	281
7.4.2.5 Economic Resilience and Economic Diversification	285
7.5 Competitiveness for Investment	287
7.5.1 The Perception of City Image for Investment and Businesses	288
7.5.1.1 Manchester as a Competitive Brand for Economic Prospects.....	288
7.5.2 The Effectiveness of Local Governance	294
7.5.2.1 Manchester Regime of Public-Private Partnerships	294
7.5.3 The Effectiveness of Local Authority Leadership	295
7.5.3.1 Attracting Funding from Central Government	295
7.5.3.2 Competing for Private Investment.....	297
7.5.3.3 Job Creation and Fostering New Industries	299
7.6 Conclusion	302
Part Three: Discussion of Results and Conclusions	307
Chapter 8. Sustainable Property Market and Urban Regeneration	308
8.1 Introduction	308
8.2 Policy Implication of Market Maturity.....	310
8.2.1 Political Vision and Property Market	312
8.2.2 ‘City Boosterism’ and Investment Confidence.....	314
8.3 Resilient Market and Local Economy	319
8.3.1 Local Politics and Market Risks	319
8.3.2 Economic Policy and Office Market	323
8.4 Marketing a City to Compete.....	330
8.4.1 Competitive City Brand for Investment	330
8.4.2 Private Partners as Holders of Economic Power.....	332
8.4.3 Competitive Planning System	335
8.5 Conclusion	337
Chapter 9. Conclusions.....	340
9.1 Introduction	340

9.2 State-market Relations, Regeneration Policies, Economic Sustainability	342
9.2.1 Political Leadership for Vision and Delivery	342
9.2.2 Evaluation Framework of Market Sustainability	343
9.2.3 Interplay Between Regeneration Policy and Market Dynamics	344
9.3 Key Findings on Economic Sustainability in the Manchester Office Market	345
9.3.1 Market Maturity of a Sustainable Real Estate Market	345
9.3.2 Economic Resilience of a Sustainable Real Estate Market	347
9.3.3 Competitiveness for Investment of a Sustainable Real Estate Market	348
9.3.4 Economic Sustainability of the Manchester Regeneration Office Market	348
9.4 Contributions of This Research	350
9.4.1 Economic Paradigm Versus Market Paradigm	350
9.4.2 Conceptual Framework of Market Sustainability	351
9.4.3 Regeneration Office Index	352
9.5 Areas for Further Research	354
References	356
Appendices	391
Appendix 1. The CoStar Building Rating System: 5-star and 4-star office	391
Appendix 2. UCL research consent form	392
Appendix 3. Sample Interview Outlines	393
Appendix 4. Timelines of Key Development Plans and Events in Manchester	403

List of Tables

Table 1. Typology of investment risk in property.....	54
Table 2. Planning tools and risk.....	95
Table 3. Research Design – Mixed Method.....	120
Table 4. Planning Documents Published By Manchester City Council.....	125
Table 5. Codes and measurements for indicators.....	126
Table 6. Measurements and research methods.....	128
Table 7. Comparable factors for property index.....	145
Table 8. Measurements and quantitative method.....	146
Table 9. Types of interviewees for individual measurements.....	151
Table 10. Summary of interview numbers and types.....	153
Table 11. Indicator 1 – Market Maturity.....	158
Table 12. Indicator 2 – Economic resilience.....	159
Table 13. Indicator 3 – Competitiveness for Investment.....	161
Table 14. Planning permissions granted for rebuilding the bomb-damage site.....	194
Table 15. Number of transactions and buildings 1984-2017.....	221
Table 16. Number of buildings in regeneration area and city zone 2017.....	222
Table 17. Calculation format for Non-regeneration 4-star office Rental Value.....	225
Table 18. Calculation format for Regeneration 4-star office Rental Value.....	226
Table 19. Estimated Value.....	227
Table 20. UK all property rental series cycle timing.....	230
Table 21. Net Rental Growth adjusted for inflation 1987-2017.....	240
Table 22. Real Rental Value of Non-regeneration and Regeneration market 1987-2017.....	240
Table 23. The average/mean of Rental Value for 4-star office.....	245
Table 24. The standard deviation of Rental Value for 4-star office.....	245
Table 25. Measurement variables and indicators.....	250

List of Figures

Figure 1. Conceptual Framework for Market Sustainability.....	76
Figure 2. Analytical Framework for Market Sustainability.....	113
Figure 3. Three-dimensional typology of mixed methods designs.....	121
Figure 4. The area of Manchester city centre.....	134
Figure 5. The area defined in planning document.....	137
Figure 6 The Bomb-damaged area.....	191
Figure 7. The post-bomb masterplan.....	193
Figure 8. The territory of city centre.....	198
Figure 9. Manchester city centre with primary retail areas.....	199
Figure 10. Greater Northern Warehouse.....	203
Figure 11. Development pipeline between 2002 and 2019.....	205
Figure 12. Redevelopment Appraisal Plan 1967 and research area.....	219
Figure 13. Four-star office buildings.....	220
Figure 14. Regeneration office developments.....	222
Figure 15. Rental value 4-star Office 1984-2017.....	228
Figure 16. UK all property rental series cycle performance.....	231
Figure 17. Building of 3 Hardman Square in Spinningfields.....	233
Figure 18. Outdoor spaces rented out at Spinningfields Square.....	234
Figure 19. The current boundary of Redevelopment Area C.....	235
Figure 20. Cyclical change of rental growth 1985-2017.....	238
Figure 21. Real Rental Value of non-regeneration and regeneration market....	241
Figure 22. Investment Volume for Birmingham, Glasgow, Manchester between 2007 and 2016.....	247
Figure 23. Cyclical changes of rental values for regional cities.....	248
Figure 24. AGMA region unemployment rates.....	325
Figure 25. Area Profile - Intelligence Hub Manchester City Council 2019....	327

Abbreviations

AGMA	Greater Manchester Authorities
CBD	Central Business District
CPI	Consumer Price Index
ERDF	European Regional Development Fund
FPBS	Financial, Professional and Business Services
GDP	Gross Domestic Product
GM	Greater Manchester
GMCC	Greater Manchester County Council
GMSF	Greater Manchester Spatial Framework
IPF	Investment Property Forum
LEPs	Local Enterprise Partnerships
MCC	Manchester City Council
MML	Manchester Millennium Ltd
MRR	Manchester Regeneration Regime
NIE	New Institutional Economics
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
PEI	Political Economy of Institutionalism
PPPs	Public-Private Partnerships
RPI	Retail Price Index
SD	Standard Deviation
SPG	Supplementary Planning Guidance
SRFs	Strategic Regeneration Frameworks
TA	Thematic Analysis

Part One: The Framework

Chapter 1. Regeneration Policies and Sustainable Markets

'In the advanced capitalist world...market forces have been constrained, harnessed, replaced or manipulated in order to control or encourage property development...governments – according to their political nostrums – have thus regarded urban planning...as a means of helping the market to work more efficiently.' (Balchin et al., 2000: 413)

'To succeed, economic regeneration policy...needs to address both supply and demand side dimensions. There is little point in providing major new infrastructure without sufficient demand to sustain its use, whilst the promotion of a town or city in the absence of adequate infrastructure and facilities is destined for failure through lack of competitiveness.' (Berkeley et al., 2017:72)

1.1 Introduction

The academic interest in understanding the interplay between regeneration policies and property markets has recently regained attention with the debate of state-market relations in land and property (Abd Ghapar et al., 2016; Adams and Tiesdell, 2010; Haran et al., 2011; Harding et al., 2010; Heurkens et al., 2015; Woestenburg et al., 2019). Since the late 1970s the role of property markets has increasingly been highlighted within regeneration policies in the UK. Some scholars have discussed the value for policymakers to better understand the relationship between planning tools and property markets in order to enhance the efficiency of policy design (Tiesdell and Allmendinger, 2005). The fundamental essence of properties in regeneration areas is manifested not only through the

process of physical transformation in the built environment but also by the desire to attract long-term private investment through these financial assets in the form of real estate.

Since the late 1970s, UK governments have employed the 'leverage planning' (Jones and Evans, 2013; Noon et al., 2000:66) through regeneration developments in cities such as Manchester, which suffered severe economic decline and job losses, for the purpose of drawing in private-sector investment, revitalising the local economy and ultimately tackling market failures. The proposal of attracting institutional investors into regeneration developments has been placed on the agenda of public policies in the UK with the intention of securing private funding. The increasing influence of financial investors on the policymaking of city governments reflects the growing reliance of policy implementation on property markets in the era of austerity (Guironnet et al., 2016:1442). Office markets, in particular, are a crucial point of intersection between the financial system and the built environment and are prone to rapid collapses in value (Byrne, 2015:78) during economic recessions, such as the 2008 GFC. The volatile and cyclical nature of property markets is well known, and it is equally evident in office markets that are both treated as tradable commodities in the investment market and working spaces for firms in the user market. Since substantial quantities of proposed regeneration initiatives have been amassed for a prolonged period, the performance of regeneration markets could have a significant impact on the economic sustainability and stability of the local property market and economic development.

The academic debates concerning the relationships between planning policies, property markets, and the performance of regeneration markets for attracting

institutional investment are important and relevant topics. However, literatures of these themes are mostly disengaged. Consequently, little attention is given to the endeavours that intend to link these aspects in the context of market sustainability in regeneration areas which, as defined in this thesis, demonstrate essential qualities to secure long-term economic benefits (Kauko, 2017:14) and sustain economically viable trading activities (Jones and Watkins, 1996) after eliminating any problems of market failures without requesting substantial public funding through the state interventions. However, the understanding of the interaction between public and private actors in sustainable regeneration markets remains unclear. There is much more to explore with respect to how these elements are configured in the formula of pursuing economic sustainability through local regeneration policies in the context of the market institution in land and property.

1.2 Background

Property markets have been one of the critical factors in determining the success of regeneration developments. This has been particularly true for property-led regeneration initiatives from 1979 since the local governments have partly relied on the profits from land sales of the completed developments to subsequently supplement the cost and expenditure of these projects (Jones and Evans, 2013:73). The consistent trend of the reliance on real estate markets continues as to the fact that local governments in the UK have been urged to find a new way to finance their capital expenditures by focusing on debt-driven growth and regeneration initiatives (Dagdeviren and Karwowski, 2021). Following this rationale, the economic growth that pushes up the rental and capital values becomes paramount not only for the private market actors but also for the local

authorities. In the 1990s, the style of public funding allocation typified the cities' capacity of competitiveness, inward investment and economic growth (ibid:75). Under the coalition government from 2010, the direction of regeneration funding took a dramatic turn moving away from central funding towards financially incentivizing local authorities to cooperate with the private sector and leverage funding from various sources (Berkeley et al., 2017; Jones and Evans, 2013:78). In this context, the financial pressure on local governments that search for alternative sources to fund regeneration projects significantly increases due to the retrenchment of the central government.

Despite some potential obstacles, securing private investment is deemed a possible option to fund regeneration projects. Therefore, attracting institutional investors into regeneration developments presents a desirable solution and their involvement in property markets could be crucial, the latest types of institutional investment possibly deriving from patient capital (Deeg and Hardie, 2016) such as local authority pension funds (Sandford, 2021) and sovereign wealth funds (Aalbers, 2019a:13) rather than conventional banks and insurance companies. As mentioned, for the purpose of funding regeneration developments, they are potential sources to provide a sustaining finance for regeneration projects. Moreover, for the achievement of economic sustainability, their participation in the property sector could affect the economic stability of market performance. Although some scholars (see Guy et al., 2002) have pointed out that regeneration properties do not completely match the criteria of institutional investors, such as insurance companies and pension funds (Darlow, 1983:4 ; Byrne and Cadman, 1984:8), since they are risk averse and mainly interested in the prime market,

they suggest that other categorised investors, such as local developers, might be more acquiescent to be attracted to regeneration.

Institutional investors here refer to companies or financial institutions (Brown, 1991:6) that invest money on behalf of clients or shareholders, for example, hedge funds or mutual funds. In the perspective of property investment, insurance companies and pension funds have been the two principal investors (Darlow, 1983:4; Byrne and Cadman, 1984:8) but other financial institutions that manage large funds investing in direct properties or real estate shares also participate as institutional investors. However, the acute hurdle for property developers to provide the finance for regeneration projects is that the entry barriers of the direct property market are high. This criterion is beyond the financial capacity of local developers and thus makes institutional investors such as the large life and pension funds more favourable for direct properties (Byrne et al. 2015). Recent literature investigates the involvement of institutional funding into regeneration projects and developments (Adair et al., 2007; Haran et al., 2011; Heurkens, 2018) but limited empirical research focuses on the behaviour change of institutional investors with respect to local regeneration developments and at which stage of the processes they are involved in.

To tackle the problem of constrained regeneration funding, the proposed solution is to create sustainable regeneration property markets that are less susceptible to short term economic market cycles and are attractive to private investors with longer-term investment horizons, most notably institutional investors (Parkinson et al. 2010 quoted in Haran et al 2011). A sustainable property market shares the features of economic sustainability and stability. The underpinning rationale of centralizing the importance of an economic sustainability dimension stems from

the assumption that our society needs economic growth to generate funds necessary to provide other 'softer amenities' (Kauko, 2017) including social, environmental and cultural dimensions. There are two possible dimensions that characterise the interplay between regeneration policies and property markets in terms of 'economic sustainability'. Firstly, regeneration policies quite often are utilized to assist in achieving the objectives of economic development policies that directly influence the user market reflecting the demand of the employment market. The effectiveness of these public policies shapes the economic stability of the local economy as well as the local property market. Secondly, the aggregative amount of these regeneration properties injected into the existing stock over several decades could be substantial and become significant investment assets in the finance market, which accounts for a large proportion of economic contribution to the local economy. The long-term effect of both aspects therefore impacts the level of economic sustainability and stability in cities.

The market economy demonstrates a tendency of cyclical instability over time that is also evident in property markets. One major cause of economic instability is that supply takes time to respond fully to any change in demand so that expectations upon which production decisions were originally based may not be fulfilled. When applied to property markets, the same principle can explain the occurrence of property cycles with close association to national and regional economic cycles (Barras, 2005; Jowsey, 2011:425). Property plays an important role in regeneration development for expanding aggregate demand and therefore this affects the extent of economic stability and sustainability. In order to assess economic sustainability and obtain any significant results, the observant period has to be considerably lengthy to cover several cycles, each cycle lasting several

years. Additionally, sustainable regeneration markets need to overcome failures and demonstrate sufficiently viable market activities in letting and selling over a substantial period (Jones and Watkins, 1996). As a result, in order to evaluate the impact of regeneration policies on economic sustainability, a long-term approach is more appropriate and this view is agreed on by several scholars (for example, Carmona and Sieh, 2008; Jones and Watkins, 1996).

However, the question related to how to foster a sustainable property market is still underexplored. The notion of sustainable property markets or market sustainability remains vague and it requires further research to define and conceptualise these terms that are relevant to the context of regeneration policies. Additionally, it is equally important to explore how to measure 'market sustainability' if there is a plausible definition. Building on the above discussions, the implication of regeneration policies on fostering economic sustainability in a local property market is an important aspect to investigate the creation of a sustainable property market.

Regeneration developments have acted as a prevailing state intervention tool in the UK in the past decades to revive the local economy of many de-industrialised cities (de Magalhães, 2015:921). The efficient cooperation of public-private partnerships (PPPs) in urban regeneration with a strong policy regime amplifies the chance of policy implementation to succeed (May and Jochim, 2013:432). The consistent implementation of regeneration developments potentially stabilises the pace of the supply of regeneration properties added to the existing market that shapes the landscape of cities as part of the place-making process. From the perspective of market institutions in spatial planning, place-making through urban regeneration requires the effective translation from 'visions' to

‘deliverable actions’ that is embedded in the context of the interactions between the public and private market actors in property markets (Adams and Tiesdell, 2010). Tiesdell and Allmendinger (2005:58) view planning tools as ‘policy actions or initiatives’ that intend to ‘affect decision environment and the behaviour of market actors’ in land and property. The empirical study demonstrates that the interaction between the planning authority and private sector is essential to build capacity for ‘the realization of urban regeneration projects’ (Heurkens et al., 2015:647); the process involves private actors exchanging new ideas about the development possibilities and limitations and state actors providing policy visions about the desirable objectives that can be achieved although in some cases it also involves them taking the financial risks of failure (Adams et al., 2017; for example see the discussion of New Islington Manchester, Karadimitriou and de Magalhães, 2013:164). In the context of planning strategy and market actions, our understanding of long-term effects derived from regeneration policies on real estate markets remains incomplete.

At the municipal scale, the emergence of the ‘Manchester Regeneration Regime’ (hereafter referred to as MRR in this research) acknowledges the importance of property markets for the success of regeneration policies. Since the 1970s the MCC has targeted the finance and services sector and fostered the said industries by providing modern and prime office spaces in which institutional investors prefer to invest with the assistance of regeneration developments. Following the incrementally increased number of regeneration initiatives since then, the scale of the office market in Manchester city centre has grown extensively and by 1996 arguably became one of the largest office markets outside London as claimed by the City Council. The office market in Manchester

illustrates the dimensions discussed above and therefore appears to be suitable for the case study. One prominent aspect regarding the office market is that the role of institutional investors is essential both in the user and finance market because of their dual entities as the occupiers for office buildings as well as the primary investors to hold office stock within their investment portfolios. Consequently, the presence of institutional investment and finance in the Manchester regeneration office market is regarded as one of the essential attributes to assess the policy impact of market performance. Another perspective from the standpoint of policymakers emphasises the usefulness of studying the case of MRR in the context of creating a sustainable property market.

MRR is also renowned for the efficiency of policy implementation and the PPPs with a strong political leadership to promote the urban hierarchy of Manchester as the regional centre of the North West and a global city in the past few decades. The Regeneration Regime of Manchester over the last thirty years is one of the exemplars that capture many typical features of regeneration policies in the UK and has been adopted to be the base of the Greater Manchester Spatial Framework (GMSF) in the new political arrangement of city-region setting, which emphasises property-led development and the pro-growth paradigm (Hodson et al., 2020). The leadership challenges derived from external and internal tensions in urban settings can vary due to the changing nature of political agenda and ideology during different periods (Barber and Pareja Eastaway, 2011; Jones and Evans, 2013:44). The claimed 'success' of regeneration outcomes caught research interests in examining the regeneration regime and governance networks over these years but there is not much discussion on how the local

political leadership may harmonise all these forces and aims to achieve policy objectives of regeneration policies in the lens of market implications. The city government has adopted a pro-market approach and therefore makes it a good example to study.

1.3 Problematization and research niche

The previous discussions indicate that many dimensions associated with the role of property markets in regeneration policies are still underexplored and require further research. First of all, the threat of external financial crises highlights the importance of economic resilience and sustainability if cities are regarded as the economic growth engine for the region. The financialisation of commercial real estate might pose a challenge to property-led policies due to both the mobility and the cyclical nature of finance capital that potentially increase economic volatility or decrease economic sustainability of regeneration real estate markets in the long run. As Dagdeviren and Karwowski (2021) observed, the rise of financialisation in the context of public policy highlights the tension of the changed relationship between the state, that is given with duties and made accountable to residents, and financial markets to potentially curtail those obligations and abate their accountability; this phenomenon is embedded in the process of financialisation, defined as ‘the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households’ (Aalbers, 2019b). A robust investment structure is required to create sustainable regeneration property markets that will be economically more resilient to property cycles and which witness a sustaining

activity of transactions in leasing and sales (Parkinson et al., 2010 quoted in Haran et al., 2011). It is not doubtful that the effect of urban regeneration policies has contributed to reversing the economic decline of cities in the UK but the attempt of quantifying the economic impact of regeneration policies seems to be problematic. Although this debate has been discussed by various scholars (Hassink, 2010; Jones & Evans 2013:93; Parkinson et al. 2010 quoted in Haran et al 2011), little is known about the long-term evaluation on policy outcome of regeneration initiatives against the benchmark of creating self-sustained real estate markets.

Secondly, in an ideal world based on the assumption of neo-classical economics, a market is supposed to sustain itself through a mature economic mechanism to efficiently facilitate the interaction of supply and demand. By doing so, a sustainable market is able to continuously produce positive growth and attract inward investment particularly from institutional investors who are seen as superior in some policy narratives framed in the assumption that institutional investment appears to be a 'better' source than other categories. Even though recent research indicates the growing acceptance of urban regeneration schemes as a viable medium to long-term investment option for institutional investors, abundant evaluations of regeneration initiatives have predominantly focused upon economic and social outcomes but have largely omitted the measurement of the impact on investment returns (Haran et al., 2011) and property values within the property market pre and post regeneration. This information is particularly lacking at the local scale and thus requires more research that collects the transaction data of a local regeneration market for

further analysis on market performance in a given period reflecting the long-term movements before and after property cycles.

Thirdly, several scholars (Heurkens et al., 2015; Tallon, 2013) have observed that with the problem of budget cuts and constrained central funding, urban regeneration policies have been incrementally prone to entrepreneurial approaches and local authorities increasingly dependent on property developers and investors to deliver the implementation of urban policies. This accentuates the role of policymakers and planners from local authorities as market actors (Heurkens et al., 2015) to interact with private market actors in the process of regeneration developments. British governments have been seeking to persuade institutional investors to involve themselves in financing the regeneration development initiatives for years, as demonstrated by, for example, the Montague Review in 2012 and the Good Practice Guide recently published by the Local Government Association, which aims to support local councils 'to plan and establish more effective public-private partnerships' (LGA, 2022). Under austerity measures since 2010, insufficient public funding from central government also makes the option to attract private finance, particularly from institutional investors, more advantageous and, to a certain extent, more pressing. Some empirical studies have investigated the possibility of drawing in private sector's resources to finance regeneration developments (Adair et al., 2000 and 2007) and the performance of the regeneration property market (Adair et al., 2003; Berry et al., 2013; D'Arcy et al., 2005). Other studies pointed out that there are barriers for this policy intention, explicitly derived from the negative perception of institutional investors on regeneration properties and expected risk tolerance that heavily influence their behaviour on decision-making (Adair et al., 2007; Guy et al., 2002).

However, not much attention has been drawn as to how urban regeneration developments act as gateways for this type of institutional investment by asking: do these barriers still exist? Are there any new barriers or have any opportunities occurred in terms of attracting institutional investment in regeneration projects? What are the implications of the 'pro-institutional investment approach' in policy narratives?

Finally, a rich body of literature stresses the usefulness of studying the regeneration regime in Manchester to characterise the PPPs in governance at the municipal level for the efficiency of policy implementation (for example, Cochrane et al., 1996; Harding et al., 2010; Ortiz-Moya, 2015). The study of Mele and McLeskey (2018) provides a possible rationale of policymakers in the MCC for the trajectory of policy direction and political visions being materialised partly through regeneration developments. Partnerships are viewed as 'inherently favourable to urban economic development' (Mele and McLeskey, 2018:63) since 'public-private partnerships are reputedly entrepreneurial enterprises' (ibid:65). This harmoniously marries pro-growth politics and capitalism that endorses the usefulness of public-private partnerships since 'both the public and private sectors share the same objective, each has a stake (political, economic or both) in a successful outcome' (ibid:64).

The trait of this partnership relationship indicates that 'the distinctions between providers and policymakers become increasingly blurred' and 'private interests become involved in co-producing all aspects of urban projects' (Raco, 2012:453). Not only is the distinctive boundary between the public and private actors in policy implementation becoming dubious but also there is a concern over the weight of

influence on strategic decision-making increasingly shifting towards private partners. Halbert and his colleagues observed (2014:550),

There is a danger that cash-starved local authorities, dependent on investors' willingness to support a given property market, might adopt strategies that follow and even anticipate the latter's changing preferences ever more closely.

Although a growing influence of these financial 'elites' in terms of 'values' or 'priorities' for economic gains may seem to be evident, the same course does not reflect imperatively on the power sharing of decision-making process in the setting of the PPPs (Davis and Williams, 2017). These different stands of observation on the relational interaction and values have not been discussed in the perspective of market implications. Consequently, the understanding of the inner workings of the MRR through the PPPs seems paramount in order to explain how the characteristics of property markets modify the working of policy implementation and also how the political environment shapes the direction of regeneration policies and ultimately the performance of property markets.

1.4 Market sustainability as an evaluative indicator

The notion of 'market sustainability' is rooted in the ultimate goal that regeneration policies are able to foster sustainable property markets (Jones and Watkins, 1996) as a sign for 'sustainable local economies' (Kauko, 2008:98) that do not rely on public funding to sustain local economic activities in regeneration areas. By proposing to use the concept of market sustainability as an evaluative

indicator for assessing the success of regeneration initiatives in terms of economic sustainability, the author selects three variables deemed most relevant to measure the level of 'market sustainability' for the purpose of this research including market maturity, economic resilience and competitiveness according to the literature reviewed in the following chapter. The nature of evaluating the extent of economic sustainability encompasses the dimension of a long-term criterion that is supposed to assess both economic efficiency and economic viability (Jones, 2010; Kauko, 2008:96). In this context, while this research interrogates the policy implications of real estate market dynamics in regeneration areas in the context of achieving sustainable economic development, it involves the analysis of the social interactions between different public and private market actors as well as the interplay of constant fluctuations in demand and supply through adopting both the institutional perspective and the neoclassical approach (Kauko, 2008:98).

The narrative of this thesis focuses on the debate of searching for any possibility for sustainable funding and private finance in regeneration under austerity measures in the post-crisis era. Following the expansion of this notion, the argument of this thesis encompasses two propositions:

- The author contends that the greater extent of institutional investors' involvement in regeneration real estate markets in comparison with their more limited role in the past is one of the paramount factors underpinning the sustainable dynamics of market mechanism that demonstrates a robust operational system of trading and investment activities in land and real estate with lasting effects without requiring substantial public money

injections or interventions that could be a solution to eliminate the financial pressure of local governments as a long-term goal.

- The author also argues that under the budget cuts due to austerity measures, it is essential to investigate whether the attitude of institutional investors has shifted towards a more positive spectrum in terms of funding regeneration developments as well as investing in regeneration property markets. This approach seems to be considered preferable by policymakers in order to reduce reliance on the debt-driven growth approach adopted by local governments through heavy borrowing that is the primary source of accessing capital finance for infrastructure investment and regeneration.

The above proposals on sustainable funding in regeneration bring out the key research questions of the thesis explained in the next section.

1.5 Research questions and objectives

This research aims to investigate the following research questions and the primary research question:

How effectively have regeneration policies in the UK fostered the economic sustainability of real estate markets?

It is to be examined through the following two sub-questions:

- 1. How successfully have real estate markets in regeneration areas performed and to what extent do they constitute examples of market maturity, economic resilience and competitiveness for investment?**

2. How have local regeneration policy approaches shaped and influenced the extent of economic sustainability through their interaction with private sector investors?

This thesis examines how effective regeneration policies at the municipal scale, the local government of Manchester, in the UK, have been at promoting economic sustainability of real estate markets, in the case of the office sub-property market for this research from 1967 to 2017, in the field of state-market relations with an institutional approach. It is acknowledged that the process of interplay between structural economic transformation, property market development and changes in the built environment cannot be simply illustrated with straightforward directional causal links (de Magalhães, 1998:2008). With this standpoint in mind, this research does not try to argue against the limitation of property-led regeneration that has been widely accepted such as the inefficiency of delivering social objectives for local communities (for example, Adams et al., 2017). However, it is also admitted that the property-based approach to regeneration is 'a necessary component of urban revitalization' (Imrie and Thomas, 1993:87).

Based on this notion of properties as a fundamental element to regeneration, the insights as to whether such policies demonstrate the ability to enhance the economic sustainability of regeneration property markets can be useful for policymakers. Following this rationale above, it is sensible to investigate whether the case of the Manchester office market has been successful or not in the merit of economic sustainability after decades of effort with regeneration funding and resources, which is explored under the first sub-question. The focus of the second sub-question is placed on how regeneration policies at the municipal level have attracted private-sector investment, particularly institutional investors, to finance

these developments by investigating the inner workings of the PPPs since the importance of the PPPs is recognised to be the essential factor to the success of regeneration developments. Mele and McLeskey (2018:67) contend that variations in collaboration and adaptability would influence partnership performance and project outcomes. The political leadership is emphasised in this research to explore this question: How do the functions/tasks of political leadership (including individual and collective forms in terms of city vision and policy direction) 'shape' the decision environment of urban regeneration developments through governance for effective implementation and property market behaviour for attracting institutional investors?

This research intends to make a series of conceptual and empirical contributions to the debate on the economic sustainability of the revival of city growth, which has been discussed extensively in the school of the 'new economic geography' (Champion and Townsend, 2011), derived from the thoughts of political economy and institutional approaches. In order to achieve these aims, there are three key objectives for this research. The first objective is to document, describe and explain the complex nature of the relationship between regeneration policies and property markets in the case of Manchester, bridging the gap of the lack of available information on this subject resulting from the scarce attention drawn to the changing dynamics of local policy implementation and economic development. The second objective involves the construction of a regeneration office index for the designated research period to assess the quantitative movements of the market performance indicating the level of economic sustainability. Thirdly, the objective of this study is to employ an analytical framework embedded in the notion of market sustainability to understand how

the municipal leaders influence the behaviour and motivation of the actors who operate in the regeneration office market in Manchester.

1.6 Research design

The research design of this research is embedded in the structure of the conceptual framework on market sustainability. A mixed method is employed in this research; this consists of a quantitative measurement by using the index analysis and an intensive approach including the case study and interview methods, which make one contribution of this thesis to existing literatures. This method provides a good balance of investigating the width and depth of the research question (Swanborn, 2010:5). The concepts of market maturity, economic resilience and competitiveness for investment proposed above are employed as the key indicators to assess the level of market sustainability in the property sector. Firstly, the level of market maturity will be measured by looking at the market performance of the selected areas to discover any evidence of sustainable growth that has been the focus of sustainable development of the government policy; the second element is to assess the resilience of the regeneration property market in Manchester by reviewing the movement of regeneration property values over the past decades in comparison with the market benchmark and interviewing the local estate agents on the popularity of regeneration properties; the third factor is to explore the current involvement of institutional investors in regeneration and also to seek insightful views on how to sustain long-term investment within a competitive environment by interviewing key stakeholders.

Two sets of the property indices constructed constitute the rental values of the regeneration properties and standing properties in Manchester city centre respectively during the period from 1967 to 2017. This approach aims to evaluate the performance of the regeneration property market against the performance of the mainstream property market in Manchester. To unlock the hidden principles of the behaviour of institutional investors requires a qualitative approach, which complements and answers the questions which the quantitative method cannot. This constitutes carrying out interviews with institutional investors in order to explore the long-term investment possibility or past/present involvement in regeneration properties. Key representatives from the City Council were invited for an interview to discuss their roles to encourage the long-term investment activities in regeneration properties through regeneration initiatives in Manchester.

1.7 Structure of the thesis chapters

This thesis encompasses nine chapters and is structured in three parts. The first part consists of the lead-in chapters, including the current chapter, two literature review Chapters, 2 and 3, as well as the methodology discussed in Chapter 4. The empirical Chapters, 5 to 7, are grouped under the second part that discloses the record of data collection and analysis. The final part presents the discussion of integrated results and conclusions, including Chapters 8 and 9.

Part One - Framework

The literature review is covered in two separate chapters. Chapter 2 examines the concepts related to the real estate market: markets as institutions, economic

theory concerning free market and state intervention, market maturity, economic resilience - specifically associated with the notions of market volatility and investment risk, competitiveness focusing on the behaviour of institutional investors and sustainable economic growth. Chapter 3 reviews the issues concerning the notions of urban regeneration and policy evaluation as well as local political leadership and governance.

Chapter 4 lays down the structure of methodology for this research. A hybrid method is used including both the quantitative method, by analysing the rental value, investment risk and investment volume, and the qualitative method, by conducting semi-structured interviews.

Part Two – Data Collection and Analysis

Chapter 5 describes the characteristics of urban policies (central government) and regeneration strategies (local government) as well as the development of the office market in Manchester since the 1970s.

Chapter 6 constitutes the quantitative data analysis to explain what has happened to the Manchester office market. It starts with the construction of the indices of rental value and rental growth for regeneration properties and non-regeneration ones; explains how to define the boundary for data collection and which type of office buildings are to be studied; assesses the level of investment risk using Standard Deviations and the time of recovery for the market after the downturn of each property cycle to evaluate the economic resilience; finally, describes how the author constructed the rental value index to compare the rental value between Manchester, Birmingham and Glasgow as well as looking at the investment volume for competitiveness.

Chapter 7 presents the qualitative data to explain why and how the Council drew up these regeneration strategies as well as the responses from other market actors including developers, real estate agents and institutional investors attained through interviewing these key participants.

Part Three – Discussion of Results and Conclusions

Chapter 8 brings together both of the quantitative and qualitative analytical outcomes to answer the research question with the thematic approach. Next follows Chapter 9 which concludes the thesis by revisiting the research questions and summarising the findings.

Chapter 2. Economic Regeneration and Sustainable Real Estate Markets

‘...to identify areas of indeterminacy that can be seized locally within the overall capitalist economic structure – that is, to identify courses of action that can produce lesser or greater growth...[t]he research and policy problem then becomes to recognise those decisional points...[t]he subject of investigation therefore switches to the strategies followed by local actors, the factors influencing their choices, and how and under what circumstances these strategies affect what happens.’ (Fainstein, 2001:17-18)

2.1 Introduction

This chapter introduces the key notions that underpin the rationale of the usefulness to evaluate the policy impact on property markets in regeneration areas against the remit of economic sustainability, which formulates the base for the creation of conceptualising market sustainability through three measuring indicators: market maturity, economic resilience, and competitiveness for investment. This framework acts as the overall blueprint in this thesis to answer the first sub-research question: if market sustainability could be measured through the market performance of regeneration properties in the merits of these indicators, how successfully have regeneration property markets performed between 1967 and 2017 in the case study of the office market in Manchester city centre. The chapter is grouped into six parts: section 2.2 discussing the market implications of economic sustainability; section 2.3 reviewing the relevant literature on how rental value reflects the scope of sustainable mature markets; section 2.4 exploring the body of literature review on the role of risk in affecting

economic resilience; section 2.5 looking into the literature concerning the economic competitiveness for sustainable investment; section 2.6 outlining the conceptual framework of market sustainability; section 2.7 providing a short summary.

2.2 Economic Sustainability in Regeneration Real Estate Markets

The primary question that this research answers surrounds the possibility of sustainable property markets being fostered by effective regeneration policies to enhance the effect of economic regeneration in targeted areas. The shared characteristics of sustainable property markets and economic sustainability point out the issue of ‘non-sustainable practices’ demonstrated by the regulatory practices of some firms who pay little attention to the sustainability of economic returns and performance as a whole but rather only to focus on ‘narrow self-interest, and short-run returns’ (Pitelis, 2013:657). Pitelis (2013) argued that the discussion of economic sustainability should place more interest in ‘the endogenous to an economy factor that can help foster, or hinder, its capability to satisfy its objectives inter-temporally’. Elliott (2005) highlighted the essence of ‘fairness’ in the debate of sustainability by referring to the definition of sustainability as ‘a requirement to our generation to manage the resource base such that the average quality of life we ensure ourselves can potentially be shared by all future generations’. He argued that we needed to be concerned about fairness in resource allocation across time (ibid:268).

This proposition brings the idea of ‘fairness’ and ‘equity’ back to the nature of the sustainability debate, which creates a tension with the neo-classical economics’ perspective which is concerned with efficiency for profit maximisation. To bridge

this difference of theoretical perspectives, Elliott (2005) provided another aspect to understand the economic perspective of sustainability that focused on the trade-off between current and future consumption through preserving and developing the stock of capital into the future. He elaborated this concept with this example that 'if we pass on a capital stock that is at least as large as the one that we inherit than we passed on the ability of the next generation to have a quality of life at least equal to ours' (Elliott, 2005:269).

Literature on economic and corporate sustainability has indicated the importance of the risk element for firms and in the case of property developments, it refers to property developers and institutional investors. Based on the perspective of corporate sustainability, Crowther and Seifi argued (2017:20) that apart from social, environmental and organisational behaviour dimensions for the sustainability debate, the element of 'finance' should be considered as a crucial aspect as well since finance was one of the paramount inputs and resources for production (Aras and Crowther, 2009:983) that needed to be handled in a sustainable manner. They defined the element of finance for sustainability as 'providing an adequate return for the level of risk undertaken' (Crowther and Seifi, 2017:20). Property developments require created capital, not just financial but also natural capital, such as land. Taking from the view of economic sustainability, Elliott (2005) contended that 'The relationship between natural and created capital has an impact on what policies and incentives we consider for the preservation of opportunities for future generations'. Following this logic, effective regeneration policies could bring out desirable outcomes to promote economic sustainability and create sustainable regeneration markets by 'providing an

adequate return for the level of risk undertaken' and helping private partners who possess corporate entities achieve financial sustainability.

The principle of 'sustaining inter-temporal economic returns' and the idea of 'preserving the stock of capital into future' underline the rationale of promoting the notion of sustainable markets in this thesis. The author argues that given the aggregative amount of capital and assets injected into regeneration initiatives over the past decades, essentially we need to ensure the ultimate outcome as being able to preserve and develop this stock of capital and 'values' stored in the form of 'market institutions' inherited by our descendants in the future. Physical regeneration should not be viewed in an isolated lens but seen as 'a means of delivering wider regeneration benefits by contributing to the sustainable city concept within which economic issues are inseparable from social and environmental concerns' (McGreal et al., 2000:110).

In his latest edition of the book, 'Urban Regeneration in the UK', Tallon (2021:112) commented that one of the multiple challenges for urban regeneration in the age of austerity in the 2010s included 'funding regeneration in a continued context of economic uncertainty due to wider global economic fluctuations and Brexit'. Therefore this inquiry of creating sustainable markets is rooted in the task of exploring the possible sources to sustainably financing regeneration developments under the pressure of austerity policies by targeting institutional investment, which is to be discussed in the next chapter in detail. The rationale of sustainable funding in regeneration inspires the idea of the creation of sustainable real estate markets in regeneration areas as the ultimate aim because such a market would not rely on extensive public funding and could

remove the heavy financial burden on the shoulder of local governments due to the acute budget cuts witnessed in the recent years after the 2008 GFC.

However, how to evaluate and measure the scope of economic sustainability in the context of regeneration policies is still underexplored, particularly in the domain of theoretical and analytical frameworks in this field. Before tackling the measurement issue, the first step required is to conceptualise and characterize the notion of 'sustainable property markets' or 'market sustainability' in land and property. The notion of economic sustainability in regeneration property markets seems to be a relatively fresh arena that 'opens up opportunities to capitalise on the new impetus of sustainability' (Kauko, 2008:98). In this context, Kauko (ibid.) argued that the discussion of economic sustainability should be expanded beyond the view of the neoclassical approach focusing on economic efficiency to other views such as the institutional perspective since 'markets should be seen as socially constructed not given' (Adams and Tiesdell, 2010:187). This thesis aims to propose a conceptual framework of 'market sustainability' adapted from and extending the model of sustainable property markets introduced by Jones and Watkins (1996) by comprising three primary concepts including market maturity, economic resilience and competitiveness for long-term investment. Statistics of property market performance shed a light on the movements of property value as 'tangible' or 'hard' evidence to assess market sustainability. There are some 'soft' and 'qualitative' factors that are also essential to search for as proof or signs of a sustainable property market being fostered in regeneration areas. These three concepts are explored further by reviewing the relevant literature discussed in the following sections.

2.3 Sustainability and Market maturity

2.3.1 Defining market maturity

An emerging real estate market is labelled as 'being immature' and less 'efficient' in its function of trading activities and the availability of market information. While new 'regeneration properties' are constructed and added to the existing market stock, these new regeneration real estate markets are 'thin', 'fragile' (Healey, 1991) and less mature where economic activity is normally scarce with little information on 'market construction and performance', and therefore, 'such markets are frequently epitomised by low demand and substantial uncertainty' (Adams and Tolson, 2019). Jones and Watkins (1996) proposed an evaluative framework on the process of development of new property markets created through regeneration policies as well as on the concept of sustainable markets that were mature to achieve market acceptability as trading products and were capable of coping with property cycles. This approach adds to the debate regarding how to evaluate and measure the scope of the economic sustainability by examining any contributions derived from urban regeneration policies in the city centre reconfiguration.

While evaluating the effectiveness of regeneration policies, scholars (for example, Adair et al., 2005; Jones and Watkins, 1996, 2010) have suggested that policymakers are encouraged to hold a long-term approach. In the light of sustainable development in property markets, Jones and Watkins (1996) contended that sustainable markets were 'a combination of prices being achieved without public subsidy and the ability of the market to sustain itself through downturns in the property cycle'. They also argued that policymakers should employ a long-term assessment on regeneration initiatives with regard to the

sustainability of a property market in regeneration areas since sustainable markets were presumed a paramount condition that satisfied the viability of the property market (ibid.). One of the studies conducted by Adair et al. (2005) also suggested a long-term approach to regeneration that promoted 'a stronger institutional network in urban regeneration areas' might be able to persuade developers and prospective investors to take a longer-term view of development period by accepting a less ambitious proportion of return reflecting reduced risk perception since developers require a return from the development before the market could be considered viable. Additionally, once a regeneration area becomes established and rental growth is apparent, competition between investors is likely to reduce their expectation on risk for return. The findings of the study indicate that investment property in regeneration areas has potential to outperform national and local benchmarks, which challenges the perception of lower investment returns in regeneration areas. The analysis also demonstrates that over a long-term period, regeneration areas offer significant investment opportunities.

The studies discussed above imply that receiving high levels of public sector support and effective regeneration policies helps the regeneration areas become mature and creates sustainable urban environments capable of meeting private sector investment goals. However, it is still unclear how regeneration policies facilitate the development of property markets towards economic sustainability, which is the aim of this research. The author takes the similar view with these commentators that, due to its complexity, policy evaluation on urban regeneration requires a long-term perspective in order to thoroughly assess the full policy impact in the context of property markets.

Since property markets are prone to cyclical changes, the implications of market sustainability are also embedded in this cyclical environment, and this begs an important question concerning how market maturity could assist a regeneration market to be capable of coping with property cycles, a feature which is attributed to the nature of sustainable markets. Sustainable property markets are established when property prices have achieved a viable level without public subsidy and the markets demonstrate the capacity to sustain themselves through downturns during property cycles (Jones and Watkins, 1996; Jones et al., 2010:151). Moreover, since the property market is a user-dominated market, stimulating property investment in the context of a depressed market can be useful and effective only when final users' demand is in the pipeline.

The above deliberations conclude several essential characteristics of sustainable property markets: first, evidence to prove rental values and property prices are viable; second, mature, sustained resale and re-letting transactions; third, acceptance by investors and other market actors as sound investment products; fourth, the securing of long-term investment from institutional investors; fifth, resilience to cope with property cycles. Apart from the previous five features of a sustainable property market, the sixth feature - city competitiveness for investment should be included as well since it greatly influences the level of economic growth and consequently market sustainability, which needs to be included when considering the definition of sustainable property markets. The strength of economic competitiveness for attracting investment demonstrated by a city is closely linked to the prediction of its economic growth in the future. Since the social structuring of markets is generally in response to the problems of competition and exchange (Fligstein and Dauter 2007:117), cities seek to

stimulate economic growth and compete with one another to attract businesses (Jones and Evans 2013:68). D'Arcy and Keogh (1999) stated that the property market would influence urban competitiveness directly and subsequently would affect the sustainability of its economic growth, through the provision of suitable accommodation for economic activity, and indirectly through its cumulative contribution to the built environment (1999:917).

Building on this, five traits have been identified to measure the degree of economic sustainability in regeneration property markets, i.e. the level of market sustainability, as listed below:

1. Viable rental values and property prices (Jones and Watkins, 1996)
2. Acceptability as investment products (Jones and Watkins, 1996)
3. Long-term investment with the involvement of institutional investors in the context of the office market (Jones and Watkins, 1996; Jones, 2013)
4. Capacity to cope with property cycles – economic resilience (Jones and Watkins, 1996)
5. Competitiveness for investment and economic growth (D'Arcy and Keogh 1999; Kim, 2011; Singhal et al., 2009 and 2013)

Points 1 to 3 describe a similar phenomenon of market performance that indicates the state of mature marketability reflected in the level of property value, transaction volume, product acceptability and long-term investment from institutional investors. These three features therefore are grouped under one label called 'Market Maturity' together with the other two main indicators, Point 4 for 'Economic Resilience' and Point 5 for 'Competitiveness For Investment', which are employed to measure the level of market sustainability. The next section elaborates on more detail in the characteristics of market maturity.

2.3.2 Characteristics of Market Maturity

Jones (2009:2370) contended that the concept of market maturity had close parallels with the process of the development of a sustainable market in the context of regeneration where new land uses were introduced to a locality. Following this rationale, 'mature' and 'sustainable' are two exchangeable terms in this research. Market capacity is essentially based on the facts that rental and capital values for properties prove viable. The proof of institutional investors' involvement is critical specifically, but not exclusively, for the office market since they constitute a large proportion of office investment, particularly in the prime office market. Furthermore, in order to achieve the state of market sustainability, a market should be sufficiently mature to overcome the downside effects of property cycles (Jones and Watkins, 1996). The assumption is that a mature property market should have the capacity to bounce back after the recession of the business cycle.

Keogh and D'Arcy (1994) took a different approach to define market maturity from a perspective of the environment and mechanism in which real estate markets operate. In this market maturity paradigm, they summed up six principal characteristics of property market maturity, which refer to a property market demonstrating: first, accommodation of a full range of use and investment objectives; second, flexible market adjustment in both the short- and long-run; third, existence of a sophisticated property profession with its associated institutions and networks; fourth, extensive information flows and research activity; fifth, market openness in spatial, functional and sectoral terms; sixth, standardization of property rights and market practice (ibid:219).

The features of a mature market provide a useful and relevant checklist for assessing market sustainability together with other evaluative indicators. However, Keogh and D'Arcy pointed out that market maturity did not necessarily imply market efficiency and could not provide a simple explanation of comparative property market activity. Adair and colleagues (1999) took a similar view on this argument and went further, 'there is no universal evolutionary path to be followed by all property markets, rather market maturity should be considered in terms of the relationship between local property market cultures and the efficiency of market processes in the context of historically specific development paths' (1999:299). As Adair and his colleagues (2005) suggested, one of the fundamental elements to measure market maturity was to look for a sign that shows 'rental growth is apparent'. Jones and Watkins (1996) stated the conditions for a mature market could be spelled out as follows: 'Market values rise to a point at which the long-run price makes private sector development viable'. These explain the rationale of examining the level of rental and capital values to establish the market performance of real estate as an investment.

Rental Value as the key market indicator

According to Peter Wyatt (2013), the typical appraisal information includes market indicators such as (1) current market rents; (2) rental growth; (3) yields; (4) movements in market indices. Rental value is placed in the central position of modelling 'sustainable rent' or 'prudent value' to testify the health of commercial real estate markets and financial stability by some central banks and related organisations such as the Bank of England and the International Monetary Fund. As Crosby and others (2022) observed, one major cause that triggered the 2008 GFC was 'the failure of financial markets to withstand significant real estate

market downturns'. In the UK, researchers in finance have become more aware of the key linkage between commercial real estate (CRE) lending and asset values as a key source of instability rather than on residential real estate. Sustainable rents or long-term equilibrium rents are used to identify the risk of real estate market downturns and financial stability, which is deemed as an important task for bank regulators, lenders and policy makers (Crosby et al., 2022:31-32). Correspondingly, for the purpose of this research and design, the emphasis is placed on analysing Rental Values and Rental Growth as well as market movements of the indices.

Property as an investment has to compete with other asset classes, primarily equities and bonds. Institutional investments concentrate heavily on the prime commercial markets and are held in a form of portfolio asset, which is an important element for the observation of institutional investor behaviour. For portfolio information, one of the key criteria in determining allocations across the respective asset classes is performance-based measure of risk (Adair et al., 2005:151; Wyatt, 2013). Consequently, the focus is placed on analysing the level of investment risk based on the formula of calculating rental value.

As explained above, the rationale of choosing rents over other popular variables for measuring market performance, such as returns, yields or capital values comes from the fact not only that these indicators are derived from the rental values but also that rent level determines the profitability for developers and investors and hence the level of new developments (Barras, 1984; Jadevicius and Huston, 2017). Additionally, since rent is used to estimate the value of the property in the capital market, it plays a central role in bringing four inter-related

sub-commercial property markets (user, investment, development and land) into simultaneous equilibrium (Ball et al., 1998).

Begg (2002) contended that one quantitative approach to assess the attributes of investability was to examine the 'price of property' together with several qualitative features such as the attitude of the planning authorities. He claimed that, 'the challenge for economic development policy is to find cost effective ways of boosting economic activity...investment is the key to securing the long term viability of an economy'. In support of the long timescales approach suggested by Jones and Watkins (1996), Begg (2002) proclaimed that in order to create and sustain the investability of a locality, particularly regeneration areas, the policy should enhance the supply-side of the economy by creating conducive conditions to higher investment rather than direct intervention to secure it.

Measuring involvement of institutional investors

A regeneration market is regarded a new-born one that is not established and immature in many ways. Regeneration properties as new market products need to gain 'evident' confidence and 'acceptance' from market participants including estate agents, the government registration agents and the primary investors such as institutional investors (Jones and Watkins, 1996) by demonstrating viable and sustainable market activities. Essentially such a market has to be generally recognised by accredited major investors as well in order to attract sufficient and long-term investment with involvement of institutional investors (Adair et al., 2003) in terms of scale and types. 'Significantly greater returns over the longer-term horizon' (Adair et al., 2003:378) is the critical benchmark for institutional investors to select prospective investment properties, and therefore the

observation of involving institutional investors in regeneration markets demonstrates the sign of market maturity.

The involvement of institutional investors is an imperative factor to foster a mature and resilient market, particularly for the office market. Since institutional investors are important shareholders in the office market, they structure their investment portfolios in an attempt to find an optimal combination of assets that minimise risk for a given level of return by having the benefits of risk diversification to invest in different types of financial assets including office buildings. In practice, evidence indicates that institutional investors have preferred investments in prime office space in the CBDs of major cities, for example, some researchers argue that there is a 'London-bias' trait (Henneberry, 1999; Henneberry and Mouzakis, 2014; Henneberry and Rowley, 2000) showing that investment decisions are in part driven by investors' beliefs about risk, return and liquidity of an office market without sound empirical evidence and advice received from other market agents and actors; rather than relying on rational optimum portfolio strategies (Lizieri, 2009:161).

Consequently, as one of the largest shareholders for office buildings, the role of institutional investors is deemed vital for assessing the market sustainability of office markets. According to the report published by the Investment Property Forum (IPF) in 2016, offices remained the largest sector in investor portfolios, representing 44% of their total holdings in the commercial property market. Furthermore, institutional investors were one of the largest office holders just second behind overseas investors in the UK. All these aspects highlight that institutional investors play an influential role in property markets, notably in the office sector.

As discussed in the previous section, long-term involvement of institutional investors is one of the critical performance indicators for a mature and sustainable property market (Jones and Watkins, 1996). Following this statement, (the report published by LGA in 2019, *Attracting investment for local infrastructure*) UK governments have coincidentally made great effort with use of regeneration policies as one example to increase institutional involvement and attract private finance to regeneration areas (Adair et al., 2002; Adair et al., 2005), hoping to reduce the public subsidies in regeneration developments and lever the private investment (Adair et al., 2003). However, the study (Adair et al., 2003) indicated a struggle to achieve this due to the fact that the key criteria in the decision making process of institutional investors to determine allocations across the respective asset classes were performance-based measures of expected return and risk (Hoesli et al., 2002 quoted in the paper of Adair et al., 2003), with a preference for the prime property market (Adair et al., 2002; Adair et al., 2005) and a perception of regeneration office markets as a risky option. Building on these arguments, there is a need to investigate how the risk element associated with regeneration development and investment by institutional investors could be influenced.

2.4 Economic Resilience and Regeneration Markets

2.4.1 Regeneration Office Market, Resilience and Investment Risk

Baum and Crosby (2008:39) elaborated that based on finance theory, two main types of risk are systematic and specific risks. The sources of investment risk associated with property as an asset class are manifold. Systematic risk is endemic and specific risk is not. Specific risk can ultimately be removed by

diversifying a portfolio within one type of asset class, such as property. Apart from these two types of risks, 'semi-systematic risks' are another type of property investment risks, for instance, planning risk, where the risk related to central government planning policies refers to 'systematic risk' and the one with reference to local planning policies is 'specific risk'. A typology of investment risk in property sector (see Table 1) is constructed by adapting the account of Baum and Crosby (2008).

Table 1. Typology of investment risk in property

Types	Investment risk	Explanation
Systematic risks	Legislation risk	Legislation risk is the chance of changes in case law and statute law that directly affect investment returns. for example, the effect of the Rent Acts, the Leasehold Reform Act, the Town and Country Planning Act.
	Liquidity risk	Liquidity risk is uncertainty affecting the speed at which an asset can be converted to cash at, or close to, its market value.
Systematic/ specific risk	Structural risk	Structural risk is the chance of high repair costs, high maintenance costs, or refurbishment becoming necessary, and eventually rebuilding becoming necessary, either through structural failure or economic or functional obsolescence.

	Taxation risk	Taxation risk describes the chance of imposition of new taxes upon the investment type or of alterations in current taxes.
	Planning risk	Planning risk is the risk that central (systematic risk) or local (specific risk) government planning policies impinge negatively or positively upon property investment values.
Semi-systematic risks	Sector risk	Sector risk is the chance that sectoral price movements affect the subject investment. Given the lumpiness of property investment, where large sums of money may be tied up in one investment, property is particularly prone to sector risk. Performance differences occur between sectors caused by changes in rents and capitalisation rates. International risk can contribute to a pronounced sector risk in individual property investment that cannot so easily be diversified away by exploiting the lower unit of investment that typifies other markets.
	Locational risk	Locational risk is the chance that local price movements affect the subject investment. For example, the average IPD total return over the period 1980 to 2003 shows significant variation across the regions.

Specific risks	Legal risk	Legal risk is the chance that the title to an investment is unsatisfactory or that it is discovered that a right exists over the subject land which affects its value, for instance, the risk that a rent review is missed.
	Tenant risk	Tenant risk is the chance that the tenant will affect returns by his actions, for example, by vacating the premises and causing the chance of voids.
Business and financial risk	Business risk	The uncertainty of income flows is caused by the nature of the firm's business.
	Financial risk	The uncertainty is introduced by the method of financing an investment.
	Liquidity risk	The uncertainty is introduced by the secondary market for an investment. How long will it take to convert the investment into cash, and what price will be received?

Source: Baum and Crosby (2008)

The 2008 GFC exposed the *economic volatility* of the office market, particularly during the downturn of the property cycle, to systemic risk in the cities that relied heavily on the financial, professional and business services (FPBS) industries, including global cities like London as well as large second-tier cities such as Manchester. According to Lizieri and Pain (2014:440),

Systemic risk arises through the process of real estate investment in such cities due to the locking together of occupational markets (functionally specialized in financial services activities), investment markets (through acquisition of offices), supply markets (both through demand drivers and the supply of finance for development), and real estate finance (through property as collateral for lending).

Zhu and Lizieri (2021) investigated the possibility of higher risk in commercial real estate markets due to the 'locking' phenomenon of the 'linked ownership network' emerging from the strategy of international real estate investment whereby common holdings of properties, particularly office buildings, in the real estate markets of different cities and countries, could be owned by the same investor or fund manager. They argued that this linked ownership not only 'reflects the flow of international capital and creates invisible connections between cities but also these connections make "shocks" between markets more easily transmitted through those international real estate investment' (2021:619). Under the effect of financial globalisation, institutional investors increasingly expand the geographic strategies for the portfolio selection in the office market from concentrating on one country to holding global real estate portfolios located in multiple countries. Portfolio theory explains the desire of institutional investors for an investment portfolio that produces higher returns, low individual asset risk and great diversification. This theory is based on the assumption that diversification reduces risk (Brown and Matysiak, 2000: 249). In practice, this means that strong property assets to hold require strong prospective returns, low standard deviation (SD) of returns and a low correlation with equities and gilts. Returns reflect the

level of rental growth. This provides reasoning to analyse the level of investment risk with regard to the sustaining investment from the institutional investors' perspective that contributes to economic resilience of the market.

A city or regional economic structure with the benefit of the diversification of economic structure that enjoys the effect of 'spreading of risk' can alleviate the impact of recessionary shocks during the downturn of economic cycles by enhancing the strength of its economic resilience. The notion of resilience was highlighted by Martin (2012) to examine the reaction of regional economies to recessionary shocks; he contended that economic structure is one of various factors and characteristics able to shape a region's reaction to a major recessionary shock such as the 2008 GFC. By pointing out the findings of Conroy's study in 1975, it is found that,

Other things being equal, a diverse or varied economic structure ('portfolio') is often assumed to provide greater regional resistance to shocks than does a more specialized structure, since different industries themselves have different sensitivities to business fluctuations, changes in export markets, major shifts in monetary conditions (exchange rates and interest rates) and so on (in effect a 'spreading of risk', to continue the investment portfolio analogy). (Martin, 2012:12)

Debatably, Manchester has been marketed with a claim as to be 'home to the largest regional FPBS industry outside of London, employing more than 280,000 people' (Invest in Manchester, 2020) and,

Spinningfields, one of Europe's most successful urban regeneration projects, sits at the heart of the city's FPBS industry, where it is estimated that 20,000 people work. Firms including Barclays, Deloitte and Brewin Dolphin are located here, a sign of their confidence in Manchester as a place where the largest transactions can be made and signed off.

Based on several market reports and news, the booming office market has made Manchester become 'the UK's second largest city office market' (IPD now MSCI and Savills' regeneration indices report, 2011) and crowned the biggest city for office space outside London that is 'testament to the leading role the city has taken in both regeneration and urban policy' (Manchester Evening News, 2015). According to the visionary statements of regeneration proposals published by Manchester City Council, Manchester office market has been purposely fostered through municipal economy and regeneration policies during the period between 1967 and 2017 to revive the local economy, create new jobs and increase city population after suffering from the hardship of the deindustrialisation process (the actual account of this event is discussed in Chapter 5). As a result, it is important to explore the policy implications of the property investment market through urban regeneration as well as to evaluate the economic sustainability of such a market. The next section presents the key features of economic resilience related to the enhancement of market sustainability in regeneration office markets.

2.4.2 Characteristics of Economic Resilience

The contribution of the property market as a whole is significant to the regional and national economy. Economic resilience is tested within an institutional context of markets. Properties act as an elementary vehicle in regeneration

policies, which directly and indirectly influence property markets. As a result, the development and performance of property markets would be one of the key contributors to economic resilience. Property markets have ‘a sizeable impact on the soundness of financial institutions and on macroeconomic activity’ (Zhu, 2005:9), which decides the level of economic resilience regionally, nationally and globally. Zhu (2005) exemplified one illustration for this, highlighting that ‘the boom-bust nature of property price fluctuations has played a role in past business cycles, fuelling the upswing and magnifying the downswing’.

There is an overlapping effect between economic resilience and urban competitiveness. Since the late 1970s, the dominance of the neoliberal ideology favoured by policymakers in the UK has placed cities in the global arena of competitiveness, resulting in enlarging the potential risk by exposing them to external factors that could weaken the economic resilience of regions. The prevalence of neoliberalism policy ties the scope of economic resilience to the strength of city competitiveness. Since the 1980s, many cities have pursued ‘entrepreneurial policies’ shaped by the concept of globalisation and aimed at competitiveness which encourage cities to integrate into the global economy (Tallon, 2021). This phenomenon has ‘decreased the level of protection of local economies’ and at the same time ‘the volatility of the global economy has intensified the vulnerability of urban systems such as the case of property markets during the GFC in 2008 mentioned previously, which undermines the extent of economic resilience in a place (Eraydin, 2013). New forms of governance have been accentuated with property-focused regeneration developments due to the prevailing neoliberal approach of public policies which has pushed local governments to begin to ‘mobilise new strategies of

endogenous economic development to cope with place-specific socio-economic problems' during the process of economic restructure (Eraydin, 2013:21). This has been intensified by the acute austerity measures and budget cuts imposed by the British central government on local authorities, which worsened the health of municipal funding mechanisms. Therefore, competitiveness has become a new priority in city governance with the fiscal pressure to attract external investment.

One of the characteristics for economic resilience in property market behaviour is that the market has the strength to 'bounce back' after the recession of the business and property cycles (Cowell, 2013; Jones and Watkins, 1996) and the market could adjust flexibly in both the short- and long-run (Keogh and D'Arcy, 1994), which is reflected upon in market performance, primarily, the level of rental and capital values, investment yields and risks, and the scale of investment. It is important to note that particularly for regeneration schemes, the level of investment in property remains an important vehicle for securing private sector involvement (Adair et al., 2002; Adair et al., 2005; Rousseau, 2009) as one popular policy means to promote sustainable economic growth (HM Treasury, 2016).

The recession caused by the GFC in 2008 has highlighted the interdependency of financial markets and the built environment. Stevenson and colleagues (2014) suggested that financial investors displayed a preference for locations and types of properties and office markets in metropolitan areas. This overlapping of investment market and user market may reduce the benefits of economic diversification from the perspective of investors and consequently undermines the economic resilience of property markets since 'a diverse or varied economic

structure ('portfolio') is often assumed to provide greater regional resistance to shocks' partly due to the effect of 'spreading risk' (Martin, 2010:12) as explained in the previous section. Global integration in finance and investment markets increases the risk of foreign shocks impacting upon domestic real estate markets. As Guironnet and others (2016) pointed out, deregulation as the product of neoliberalism since the late 1970s contributed to the risk of exposure to foreign shocks by aiding in the development and growth of the global financial services firms with metropolitan areas acting as important economic bases. In a portfolio context, the importance of economic performance implies that markets with similar underlying economic bases would have similar systematic effects and therefore may behave in a similar manner (Stevenson et al., 2014). Consequently, geographic diversification at both national and international levels may not guarantee diversification of investment risk. City governments that act in line with the expectations of property developers and investors in regeneration development projects therefore could weaken the effect of economic diversification (Guironnet et al., 2016).

Economic variety might influence regional economic resilience and its vulnerability to exogenous shocks since a region with more diversified economic industries is less prone to shocks and more likely to recover from them (Simmie and Martin, 2010). The author of this research draws on the view of Briguglio and colleagues (2009) to interrogate the terms on economic vulnerability and resilience; they define economic vulnerability as the exposure of an economy to exogenous shocks; and economic resilience as the policy-induced ability of an economy to withstand or recover from the effects of such shocks.

Property cycles and regeneration markets

As Zhu (2005) remarked, property values are susceptible to boom-bust changes in economic cycles and this is more evident in regeneration markets. The research conducted by Haran et al. (2011) suggested that the downturn of the property cycle exhibited a significant impact on the viability of regeneration developments in the UK. Their analysis of total returns performance in property markets during the 2008 GFC demonstrated that regeneration markets have been 'marginally more susceptible to the downturn of the cycle' (ibid:86). A resilient and stable property market in contrast to a volatile and vulnerable one could be a major source of strength for the global economy, particularly during an economic downturn. The commercial property market tends to be more responsive to macroeconomic conditions and it is common to observe that commercial property prices could have a sharp decline during an economic downturn. Regeneration markets seem to respond faster than the mainstream markets to the signs that indicate the turning point when the property cycle boom transitions to the beginning of the downturn of the property cycle (ibid.).

The fluctuations in property prices can arise not only due to cyclical economic movements but also the changing perception of the risk premium with the phases of the cycle. Through the discussions on the nature of economic resilience above, the level of economic vulnerability and stability affects the degree of economic resilience and market stability or, in the opposite sense, market volatility. In order to measure the level of economic resilience in relation to its volatility and stability in a market environment, the level of the investment risk is a critical evaluation variable used widely by real estate and finance analysts. As a result, the

investment risk is employed in this research to assess the level of economic resilience.

Property cycles can be considered repeated events that exhibit observable patterns of rises and falls behaving like waves passing through 'a series of peaks and troughs, where the economic activity moves from boom phase to bust and back to boom repeatedly' (Grover and Grover, 2013:503). The effect of property cycles is normally widespread. For example, in the early 1970s and the late 1980s, the office markets of large cities in the UK experienced sharp rises in rental values, followed by rapid growth in the level of new development and then by sharp falls in rents (Ball et al., 1998:195).

The fundamental cyclical dynamic of property markets reflects fluctuations observed in four interlinked sub-markets since economic activity generates demand for the user market that then translates into momentum for changes in rents and vacancy rates; developers follow the according signals to decide whether or not to construct more properties as well as investors who are willing to fund or purchase these projects; all these decisions lead to the convergence of demand for the land market. This phenomenon highlights the essence of various exogenous and endogenous factors that influence property cycles. As mentioned above, regeneration markets behave more sensitively to the movements in the wider economic activities and thus these fluctuations in rents seem to be more volatile and dramatic. This is because regeneration markets are deemed to be less mature, economically resilient and competitively disadvantageous than the standing markets. In this context, the level of volatility in regeneration markets indicates the extent of economic resilience in these areas. Some scholars observe that local economic and political circumstances

can shape the patterns of these cycles (Ball et al., 1998:195) and every city has its own property cycle (Mueller and Peiser, 2015:147) due to variegated local economic conditions embedded in different spatial contexts and time zones.

Following the logic of the connection between property cycles and the local economy shaped by public policies in a broad sense, government policy could significantly influence the market performance in the property industry from the perspectives of macroeconomic policy and policy interventions at multiple scales. In the built environment sector, the government could regulate the markets through the planning system, initiate direct development channelled through land policy and regeneration initiatives and influence the behaviour of property institutions through taxation and fiscal mechanisms (Adams et al., 2005:3). To highlight the possible cyclical effect of policy on property markets, Grover and Grover (2013) observed that,

Economic policy is subject to regular changes for political reasons. Cycles in the property market could therefore reflect the electoral cycle of the major economies. Turning points might then be associated with changes of administration and the pursuit of different economic policies or ideologies.

They further explained the causes of property cycles, 'Although endogenous factors are necessary for the existence of property cycles, exogenous shocks increase volatility and lead to the generation of a new round of cycles'.

One of the crucial ingredients to construct regional and city advantage relies on enhancing resilience with a need for intelligent institutional leadership with a

heightened sensitivity and willingness for rapid and pervasive changes (Pike et al., 2010). Regional economic resilience has close relevance to the economic governance arrangements at the regional level, which will shape the resistance and response of a region's economy to, and its recovery from, a shock (Martin, 2011). The above discussions provide sound rationale for measuring investment risks in line with property cycles and the effectiveness of city political leadership to reflect on the change of economic resilience in office markets influenced by regeneration policies over time.

2.5 Urban Regeneration and Economic Competitiveness

2.5.1 Competitiveness for Inward Investment

Since the 1970s, places and cities witnessed incremental pressure to compete with each other internationally for footloose inward investment following the rise of global investment flows that gave decision-makers more choices of location (Begg, 1999:804; Delgado-Garcia et al., 2018; Garcia and Judd, 2012; Tallon, 2021:126). In parallel, cities across Western developed countries, reliant on urban regeneration developments to revive their local economies and built environment, found themselves in a vicious competition to stand out due to the remarkably similar strategy of regeneration policies proposed by these cities (Tallon, 2021:126). Jones and Evans (2013:66-68) observed that 'Regeneration policy in the UK has been framed by the emergence of global cities and the new economy' and 'cities able to train, educate and retain workers in the new economy reap the economic benefits'. They also noted that a close connection between urban regeneration and property development in the UK has been consolidated because '[f]rom the 1980s, urban regeneration has become a prevailing vehicle

utilised in almost all urban areas in the UK, reaching a peak of activity in 2008 before the property bubble burst' (2013:3) and '[u]rban regeneration policies [have] helped to create and shape the pre-2008 property development boom (2013:4)'. As observed, during this time the involvement of the private sector and large-scale interventions through urban regeneration reconfigured the urban areas suffering from economic decline due to the demise of the manufacturing-led economy, which prompted and highlighted the economic dimension of the urban regeneration to facilitate 'the restructuring of local economies and ensuring that they remained competitive, and that the significant investment embedded in existing physical and social infrastructure was not wasted' (de Magalhaes, 2015:921).

The policy focus on sustainable economic development has been included in the urban policy of the UK government such as the statement for the National Planning Policy Framework (NPPF) in 2012 which cast the role of the economy in sustainable development as to contribute to 'building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation' (CLG, 2012, quoted in Jones and Evans, 2013:117). Bearing the ambition of sustaining competitiveness and growth in economic development, also with the influence of globalization, city governments around the world have competed hard for their position in the global economy by enhancing their competitive advantage with the employment of urban regeneration and property-linked business strategies to 'capture the opportunities for growth and development' (Singhal et al., 2009; Singhal et al., 2013). During the 2010s, austerity cuts have compelled local governments to be more proactive in terms of raising funds to finance urban

development and therefore they become more dependent on private finance. Some scholars have observed that local authorities progressively depended on private real estate developers and investors to deliver urban regeneration developments that were deemed a strategic tool to create high quality urban places and sustainable development involving both public and private actors (Adams and Tiesdell, 2013; Heurkens et al., 2015:625; Rydin, 2010).

There are academic debates and contrasting perspectives on the applicability of city competitiveness ideas. The paramount argument focuses on the view that cities do not represent single corporate entities and control is dispersed across the city (Tallon, 2021:127). Since it is hard to define who exactly an individual city's competitors are, how to judge city competitiveness and success is problematic (ibid.). Tallon (2021) critiqued the debate on urban competitiveness by quoting Krugman (1996) who argued that enterprises competed not localities; however, Porter (1998) claimed that localities did compete by establishing suitable conditions for enterprises to locate. These conditions that Porter referred to include, for example, a skilled labour force, efficient and highly connected transport, flexible land and property markets. Building on this latter argument, Deas and Giordano (2002) asserted that competitive advantage might be measured. They identified that the area-based type of competitive outcomes related to economic performance can be measured by GDP per capita; office, industrial and retail rentals; and percentage of unemployed economically active residents (ibid:200).

However, indicators for measuring urban competitiveness do not account for image factors and their impacts on place (Tallon, 2021:137). Drawing on the concept of corporate reputation, Delgado-Garcia, Quevedo-Puente and Blanco-

Mazagatos (2018) have contended that since cities competed at regional, national and international scales, reputation or image factors for cities might be a valuable resource. This was exemplified in the findings of Carmeli and Cohen (2001) as well as Carmeli and Tishler (2004) indicating that the perceived reputation of local government affected city and local government performance (quoted in Delgado-Garcia et al., 2018:1098). Evidence shows that the reputation of city government has the positive influences on employment rates and municipal development (Carmeli, 2002; Carmeli and Tishler, 2004; Delgado-Garcia et al., 2018). Building on the assumption that cities compete just like corporations, cities compete in attracting visitors, residents, firms and investment (Delgado-Garcia et al., 2018:1099). Harvey (1989, quoted in Tallon, 2021:138) contended that a city could compete for different kinds of markets for investment comprising production investments (for example in the social and physical infrastructure), consumption expenditures (for example, creating high-end retail, cultural and entertainment quarters), command and control functions (for example, investing in communications infrastructure) and state spending (for example, attracting funding for urban regeneration projects) (Griffiths, 1998, quoted in Tallon, 2021:138).

Governance factors are seen as a key condition for enhancing city competitiveness since institutional capacity of city regions is vital (van den Berg et al., 1997; van den Berg and Braun, 1999, both quoted in Tallon, 2021:138). For example, competitive cities have the power to be able to anticipate, respond to and cope with changing intra-metropolitan and extra-metropolitan relations (van den Berg et al., 1997, quoted in Tallon, 2021:138). Begg (1999:804) pointed out the active role of public policy on urban competitiveness:

‘Good’ policy can equip cities to adapt and to foster a dynamic economic environment; ill-judged policies can deter investment and trigger cumulative forces that lead to relative decline of the sort that has been evident in so many parts of the industrialised world.

City reputation can be enhanced by having an attractive built urban environment or hosting certain events, for instance, the European Cities of Culture that are promoted by local authorities to satisfy the expectations of multiple city stakeholders (Delgado-Garcia et al., 2018:1099). To attract inward investment, one of the critical tasks for a city government entails how to meet the expectation of investors who demand resources favouring their economic activities (ibid.). The cost of failing this expectation and demand could lead to the consequence that investors and firms select other locations elsewhere and the city reputation suffers a setback.

2.5.2 Characteristics of Competitiveness for Investment

The performance of cities is vital in the advancement of the local economy and in promoting competitiveness. Certain cities benefit from their inherent competitive advantages and planned strategies by capturing opportunities for growth and attracting businesses and investment. Deas and Giordano (2001) quoted Porter’s view that identified the competitiveness of sub-national intervention securing competitive advantage through distinctively local forms of intervention alongside national ones (Porter, 1990). Urban policies and strategies such as property-led regeneration strategies are constantly chosen by cities to improve the strengths of their competitiveness (Singhal et al., 2009 and 2013;

Tallon, 2010) with an emphasis on creating an attractive locality for potential investors (Begg, 2002).

If one regards land and property as urban assets then they could be important 'drivers' for competitiveness (Begg, 1999) and play an influential role in shaping city competitiveness and the performance of the urban economy. For example, property-led regeneration acts as supply side intervention to facilitate economic development assuming that property development can trigger demand for space and enhance economic activity (D'Arcy and Keogh, 1999). The cultural dimension of regeneration strategies could enhance city competitiveness by promoting the image of a city or region (DCMS, 1999), focusing on physical development with a pro-growth agenda (Bradley et al., 2002; McCarthy 2006) such as sports-led economic regeneration (Gratton et al., 2005) so that cities compete vigorously with each other for inward investment (Thornley, 2002).

Since the nature of city competitiveness is most of the time complex and multi-dimensional (Singhal et al., 2013), there is no universally accepted definition of competitiveness and no fixed approach to evaluate its phenomenon related to the economic performance and trajectory on outcome variables such as changes and value addition in the employment or incomes of the population. From an economic perspective, the focus of competitiveness enhancement is linked to the ability to compete for inward investment with other cities nationally and globally (Turok et al., 2004); internal and external connectivity as well as strategic decision-making capacity; entrepreneurship with supportive and innovative business environment; economic regeneration facilitated by public policy and resources (Singhal et al., 2009, 2013).

D'Arcy and Keogh (1997, 1999) defined urban competitiveness as referring to the ability of firms within a city to exploit or create comparative advantage, and thereby to generate high and sustainable economic growth relative to its competitors. They proclaimed that the property market will influence urban competitiveness directly through the provision of suitable accommodation for economic activity and indirectly through its cumulative contribution to the built environment as land and property are commonly regarded as part of a set of hard assets that drive the economic competitiveness in the urban areas (Begg, 1999). Evidence indicates that the behaviour of different investor groups in response to the variance of return on property assets including institutional investors can influence property market behaviour (D'Arcy and Keogh, 1999:924).

The concept of competitiveness has been adopted by central and local governments' policies to promote economic growth and attract private investment. For example, the NPPF, published in 2012, states, 'the purpose of planning is to help achieve sustainable development' by building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation (CLG, 2012, quoted in Jones and Evans, 2013:117). D'Arcy and Keogh (1999) concluded that the property market would affect urban competitiveness directly and subsequently would have an impact on the sustainability of its economic growth. Singhal and his colleagues (2009) pointed out that the regeneration policies resulted in the adoption of some business strategies to pursue sustainability including providing leadership for revitalisation and facilitating the competitiveness of a city by enhancing its enterprising nature for attracting investment and businesses. They concluded that the effect of

governance by public authorities including delivery mechanisms, leadership and proactive decision-making as well as partnership development was essential for achieving regeneration success.

Many city governments and property developers have promoted property development, particularly of office buildings, as a means of encouraging competitiveness through urban regeneration usually within the PPPs (Fainstein, 2001; Jones, 2013:125; Weber, 2015). Office development has become an important element for urban regeneration projects since the 1980s due to the increasing expansion of the finance and services industries and then, in recent years, the knowledge industry since they have been one popular vehicle for delivering the objectives of local economic development policy. One of the prevailing traits of office centres are external agglomeration economies that link to city competitiveness enhanced by the benefits of economic clusters encompassing 'the scale of economic activity, innovation and productivity, and the industrial structure of a city' (Jones, 2013:128). This feature has been supported by Manchester's economic model that centres the promotion of agglomerative growth (Deas et al., 2021). The importance of office real estate for enhancing city competitiveness derives not only from its role of influencing the economic development of cities but also from the combination of the added-value qualities such as attracting skilled labour and modern office space that attract firms to relocate their businesses to a city as well as draw in external investment capital. Subsequently, 'it can be argued that the availability of offices of the right quality in the right location and at the right price is an essential for the economic growth of a city' (2013:130).

One of the critical issues in studying competitiveness is how to measure and evaluate the effectiveness of cities' competitiveness for attracting investment. Some researchers investigated the effectiveness of property business led regeneration to attract investment into inner cities by assessing the performance of such investments (Adair et al., 2002). Others explored the evaluative indicators such as returns and risks by promoting the increase in the transparency of regeneration property investment data (Adair et al., 2003). The establishment of IPD (now MSCI) Regeneration Index was a significant step for the improvement of data transparency on regeneration property markets. The IPD reports (for example, published in 2007 and 2008) and other studies (Adair et al., 2003, 2005) all confirm that the development performance in regeneration areas outperformed the all (UK) property standing investments suggesting that there might be great benefits to invest in regeneration property markets, particularly these investments at the right point in the property cycles (IPD, now MSCI and Savills' regeneration indices report, 2011).

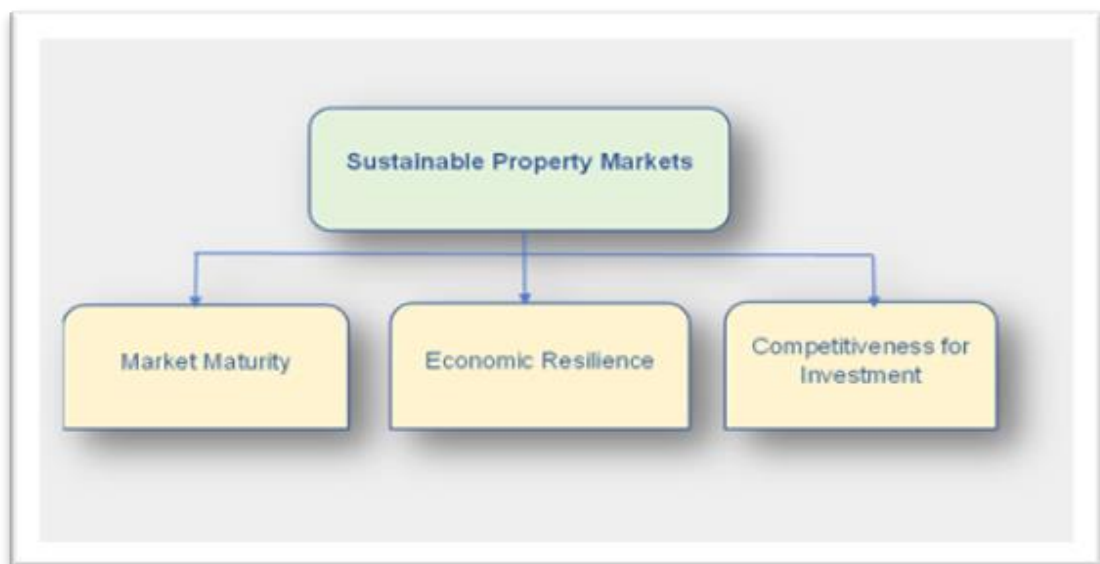
Regional comparison

As attracting investment in property remains an important vehicle for securing private sector involvement (Adair et al., 2005), in assessing the success of a regeneration policy highlighted by the government (Adair et al., 2002; CLG, 2012; DIT, 2016) for promoting sustainable economic development, it is sensible to include this factor. New investment may bring more businesses into the city and this therefore requires more available space which is fit for purpose to be constructed or refurbished. D'Arcy and Keogh (1997;1999) defined urban competitiveness as referring to the ability of a city to exploit or create comparative advantage, and thereby to generate high and sustainable economic growth

relative to its competitors. Consequently, it is useful to compare the market performance of Manchester to other regional cities. Birmingham and Glasgow are selected due to their roles as regional centres and data availability. For the purpose of this research, the level of investment volume and the movement of rental value are examined.

2.6 Conceptual Framework of Market Sustainability

Figure 1. Conceptual Framework for Market Sustainability



Through reviewing the relevant literature, a conceptual framework is developed to evaluate and measure the effectiveness of regeneration policies to foster sustainable property markets and to enhance the level of economic sustainability in such markets (see Figure 1). To fully understand the rationale of this conceptual framework, it is essential to clarify the meaning and scale of each terminology used in this framework. The role of economic sustainable development in the UK government policy framework focuses heavily on promoting sustainable economic growth, attracting investment and job creation.

This approach has been adopted in the urban regeneration policies as well. In this context, market sustainability in this research refers to a market that is mature with evidence of active and sufficient trading activities, resilient to overcome the fluctuations of local and national economy/economic cycles, competitive for long-term investment that leads to sustainable economic growth but without speculation creating an investment/market bubble or oversupply of a commodity. There are a few essential elements which have been identified to evaluate the level of market sustainability in property, including the state of market maturity, resilience and competitiveness for long-term investment as illustrated in the diagram above. This conceptual framework provides a foundational structure for the research design of this paper.

It is admitted that there are a wide range of factors that can potentially affect the extent of economic sustainability in property markets. Therefore, the variables selected in this research do not represent an exhaustive list of whole factors regarding economic sustainability but just attempt to highlight the most relevant aspects to the research questions. The rationale of selecting these three variables is explained in the following.

Market Maturity

A stable and long-term (in a broad sense, more than 10 years and above) performance amounts to one of the traits signalling the state of economic sustainability, which can be examined by comparing the economic performance of a regeneration market to a market deemed to be mature in the same area (Jones and Watkins, 1996), through variables such as property values and transaction volume. The operational mechanism in a mature market enables

short-run and long-run adjustments to changing opportunities and constraints recognised by market actors through accessing 'extensive information flows and research activity' (Keogh and D'Arcy, 1994) as well as specialist advice.

Economic Resilience

Additionally, the strong linkage between the performance of property markets and property cycles has been extensively recognised (Jones, 2013:38). In this vein, how a market responds to the volatility and instability of these cycles during a prolonged period indicates the extent of its economic sustainability. After the 2008 GFC, questions of economic resilience for cities and regions have drawn great attention when discussing regeneration. Economic resilience is demonstrated by places that have the capacity to better cope with the shock of changes to the wider economy and environment (Jones and Evans, 2013), which indicates the quality of regional economic adaptability to changing circumstances (Hassink, 2010). In this sense, not only firms and industries but also local and regional development policy, and in a broader sense the institutional environment of firms and industries, would affect the dynamism and adaptability of regional economies. A region or city with economic resilience would have to keep altering the markets and local political structures to adapt to fluctuations of economic cycles as well as any changes in political and economic circumstances nationally or internationally.

Competitiveness for Investment

Another concept which has been discussed, associated with regeneration, is city or region competitiveness. D'Arcy and Keogh (1999) considered city

competitiveness to be a city's potential to exploit or create comparative advantage and produce high and sustainable economic growth in comparison to other cities. Urban regeneration processes complement the aspect of competitiveness by influencing the outcome variables of employment and income and strengthening inputs through enabling conditions for improved physical/built environment, economic and social benefits (Singhala et al., 2013).

2.7 Conclusion

This chapter explains the concepts and the approaches deployed in this research to investigate how effective regeneration policies can foster the creation of sustainable property markets and how this can be evaluated by proposing a conceptual framework for assessing market sustainability. The above sections also explore the reasoning and usefulness of using the variables of market maturity, economic resilience and competitiveness for investment in the context of regeneration property markets. A multifaceted discourse to the interpretation of state-market relations in urban regeneration is underscored here to include not only the quantitative dimension but also the qualitative nature of the institutional perspective. The next chapter will provide the accounts for this qualitative and institutional aspect to position this research to explore the second sub-question concerning how local regeneration policies have helped to achieve economic sustainability through the interaction with the private sector market actors, namely property developers and institutional investors.

Chapter 3. Local Regeneration Policies and Market Sustainability

'Politics is a battle for minds that is won by ideas and driven by ideology and the ballot box. Hence policies have not only to "work", but also to be seen to work...the notion of policy success is more complex than "what works" in objective terms; what works in terms of supporting political ideology may be equally important...politicians have a mandate to govern and ultimately to decide policy direction.' (Walker and Duncan, 2007:169-170)

3.1 Introduction

The proposed second sub-research question investigates the impact of local regeneration policies on the enhancement of economic sustainability by creating sustainable property markets through securing private funding to regeneration developments and 'patient capital' (Brill et al., 2022) to regeneration investment from institutional investors. The purpose of this chapter is to provide a better understanding of how local political leadership in the wave of entrepreneurial governance facilitates the effectiveness of regeneration developments through the PPPs to leverage the funding of the private sector into financing regeneration projects as the paramount element for securing sustainable regeneration funding that enhances the strength of sustainable real estate markets. In this sense, institutional investment constructs a nexus between the policy implementation of regeneration developments and the creation of sustainable property markets.

The rest of this chapter is divided into five sections by illuminating: first, the existing and new options of institutional investment which have emerged to

sustainably finance regeneration projects; second, the role of local political leadership to connect vision and implementation in regeneration; third, an examination of the risk element perceived by market actors involved in regeneration development and investment; fourth, construction of an analytical framework of market sustainability; finally fifth, provision of a brief summary of this chapter.

3.2 Sustainable Regeneration Funding

As Tallon (2021:110) observed in analysing the direction of regeneration policies in the 2010s, the effect of austerity measures was exemplified by the sharp reduction of urban regeneration spending proposed by central governments, for example, through the imposition of severe budget cuts on the finance of local governments. In comparison with the policies of the 1980s, some similarities have been noted by Tallon (2021:112) and other scholars (for example, Lowndes and Gardner, 2016) in the direction of travel for urban regeneration in the 2010s indicating that ‘central government policy responses focused on stimulating private sector growth through financial incentives for activities such as property development and infrastructure investment’. The central government endeavours to encourage local governments to formulate policies that attract private-sector investment. For example, The Local Government Association recently published ‘Attracting investment for local infrastructure: A guide for councils’ in 2019, which highlights the importance of institutional investment as one type of source funding regeneration in the future. However, some commentators have placed doubts on the effectiveness of the private sector-led growth to promote the economic agenda; for example, the critique of The Local Enterprise Partnerships (LEPs) is

that it lacks the scale and capacity to tackle the current challenges of the economic development in the UK (Berkeley et al., 2017:84).

3.2.1 Sustainable Markets and Institutional Investors

Nevertheless, the latest analysis of the local government finance (Sandford, 2021) elaborated on the types of capital finance available to local authorities including local authority reserves, loans supplied by the Public Works Loan Board, new borrowing instruments against local revenue (such as Tax Increment Financing, New Development Deals and Earn-Back Scheme), local authority bonds, housing finance, and local authority pension funds. The event of the GFC in 2008 exposed the volatility of private sector capital as one form of debt finance since the borrowed money became difficult to obtain from the banks and investor sentiment to invest in risky projects dropped sharply (Haran et al., 2011). The curtailment of bank lending greatly constrained the finance to regeneration developments, which then needed to explore alternative funding vehicles. The concept of 'sustainable regeneration funding and markets' resonates with the proposal of viable long-term investment vehicles for regeneration encouraged by several scholars (Haran et al., 2011; Parkinson et al., 2010). It was argued that we needed to,

create innovative investment structures which are less susceptible to short term economy/property market cycles and which are attractive to private investors with longer-term investment horizons, most notably institutional investors including local authority pension funds (Haran et al., 2011:82).

The involvement of private-sector investors confirms the credibility of regeneration properties as products deemed investment assets, which constitutes one of the two pivotal conditions which define a sustainable property market (Jones and Watkins, 1996) as discussed in chapter 2.

The proposal of attracting institutional investment as one solution to resolve the funding problem for regeneration initiatives is not a new idea but this suggestion has been re-ignited recently by the government and scholars as discussed above. The evidence of successful involvement of the private sector in regeneration demonstrates many obstacles and limitations existing to prevent institutional investment from financing regeneration developments (Adair et al., 2007; Adair et al., 2005; Adair et al., 2003; Heurkens, 2018; McGreal et al., 2000). These concerns chiefly encompass: any doubts on the market performance of regeneration properties to achieve a level of return superior to the prime property market (Haran et al., 2008; Haran et al., 2011); the lack of commitment to financing the development stage of the construction period (Heurkens, 2018); overcoming the financial risk and uncertainty derived from the long life span of regeneration developments (Adair et al., 2007). Nevertheless, institutional investment is still regarded as an essential source for financing regeneration developments in land and real estate (Haran et al., 2011; Maliphant, 2018), particularly by local governments under austerity measures (Sandford, 2021).

3.2.2 Regeneration Funding and Investment

Based on the variety of uses, real estate has been primarily categorised into commercial, residential and industrial premises. Generally, commercial properties include retail, office, and industrial buildings (Ball and McGregor, 1998:5). Within the popularity of mixed developments nowadays, they usually

encompass the element of office spaces in the city centre regeneration projects. According to Aalbers (2019a), commercial real estate projects demonstrate a fundamental shift so that now the development of these projects is more concerned with the criteria of an investor rather than the needs of an occupier. This is because commercial real estate, particularly office buildings, is increasingly owned by national and international real estate funds 'who own large portfolios of properties, sometimes concentrated in one country or macro-region but increasingly globally' (ibid.). For the purpose of this research, the creation of sustainable office markets in regeneration areas requires the capital flows provided by institutional investors since they are primary market players in this field as financiers and investors to regeneration office developments.

Financing regeneration office building can be distinguished into two main groups: the funding of regeneration developments and the finance of regeneration property investment. With regard to the first group, doubts have been raised by some commentators who have criticised the limited impact of focusing on attracting institutional investors into regeneration developments (Guy et al., 2002). Others have pointed out that some of these investors are 'non-place-based' companies who 'tend to ignore, undervalue, or actively work against the grain of a city' (Adams and Tiesdell, 2010:199) in opposition to 'place-based entrepreneurs'. Several scholars have suggested that there are alternative funding vehicles for regeneration finance, for example, the emerging notion of crowdfunding (Park et al., 2018), a donation from a business through Corporate Social Responsibility or a local property developer (Maliphant, 2018). However, these alternative options only provide the relatively small scale of capital accumulation that does not satisfy the need for a greater scale of capital and

resources required by regeneration developments; this hinders the suitability of these solutions and they are more adequate to be utilised for the initial funds for regeneration projects (ibid.).

Upon the completion of regeneration buildings, just like other mainstream properties, one of the necessary tasks for these premises is to look for prospective investors for its ownership and tenants for the rental incomes by leasing the spaces out. Apart from domestic funders, with the effect of globalisation prevalent in the past decades, the sources to finance office building investment in the U.K. have become internationally diversified. Additionally, the capital flows of foreign direct investment not only have eyed up capital markets like London but also have started targeting core provincial cities such as Manchester since these sub-national markets provide the potential to secure a higher return. The latest studies and news indicate that foreign investors have injected their cash into several secondary real estate markets: for example, Saudi Arabia-based investor's acquisition of £14 million office block in Manchester in 2021 (Costar, 2021), the Chinese investment in the construction of Manchester Airport City project (Wang et al., 2016), the blossoming of the city centre housing market for 'buy-to-let properties' (Ho and Atkinson, 2018) and 'Purpose Built Student Accommodation' (Fiorentino et al., 2020). Among these types of real estate investment financing, the longer-term life span of such finance is deemed crucial to regeneration office development and investment (Haran, 2008:190). This principle resonates with the proposition of searching for 'viable long-term investment vehicles for regeneration' (Parkinson et al., 2010). Consequently, some researchers look into the possible regeneration funds derived from the state and private sector, such as the variety of real estate funds (Aalbers, 2019a),

unlisted property funds (Haran et al., 2008), sovereign wealth funds (Aguilera et al., 2016), and the suppliers of 'patient capital' (Brill et al., 2022; Deeg and Hardie, 2016).

The above discussion implies that the operational mechanisms between regeneration office developments and financial markets have become intertwined, with this mode of private-led regeneration also affected by the increasingly complex link 'between localities and global flows of capital' (de Magalhaes and Karadimitriou, 2018:266). A rich body of literature has outlined that the benchmark of assessing market performance from the standpoint of institutional investors essentially emphasises rental value and growth, the extent of financial risk and the overall commercial competitiveness in the marketplace (Adair et al., 2007; Adair et al., 2003; Haran et al., 2011; Haran et al., 2008; McGreal et al., 2000). The above elaboration of these three paramount market indicators echoes the rationale of the measuring indicators selected for the conceptual framework of market sustainability explained in the chapter 2.

3.3 Connectivity of Vision and Implementation in Regeneration

Following the logic of conceptualising 'market sustainability', this framework is built upon three essential factors concerning sustainable regeneration finance and investment; it incorporates mature market performance underpinned by economic growth, risks associated with development and investment in real estate and city competitiveness. As discussed in chapter 2, these elements are measured by the notions of market maturity, economic resilience and competitiveness for inward-investment. Many British cities have faced the challenges of de-industrialisation and gone through different phases in economic

restructuring through regeneration policies since the late 1970s based on the neo-liberal and entrepreneurial approach adopted by national and local governments in order to revitalise the local economies to prevent these cities from continuous shrinkage. The city governments undertook various policies and initiatives to turn these cities from shrinkage towards demographic regrowth and economic recovery (Haase et al., 2021). The vision of this type of economic regeneration demands effective implementation through connecting multiple public and private sector actors involved as part of the process of place-making (Adams and Tiesdell, 2010). The nature and practice of urban regeneration is shaped by changes in the institutional structures over time in response to changing economic, social, environmental and political circumstances (Tallon, 2021:7). Building on this, the author of this thesis argues that local political leadership plays a critical role as to how effectively a local/city government reacts to the policy changes imposed by the central government and the cyclical movement of the economy and market over time in formulating and delivering urban regeneration initiatives in the UK through their visions.

In delivering regeneration initiatives, 'sustained and coordinated public leadership' has been emphasised by Haase et al. (2021:8) as one of the key stimuli to drive the regrowth of previous 'shrinking cities' since,

strong public engagement also helps sustain regrowth by supporting the creation of more attractive living conditions [and] ...sustainable development, the multiplier effects of such investment and regrowth of population are likely to stimulate further economic growth and make the

city less dependent on external private or public finance in the future (Haase et al., 2021:8).

The creation of a 'growth pole' became one of the objectives among these cities in order to benefit from the magnet effect of attracting firms to locate in a city and then generate good agglomeration economies. Based on the assumption of the multiplier effect theory, it is believed that growth triggers more growth (Tallon, 2021:142) as claimed in the study of Hasse and his colleagues (2021). Entrepreneurial regeneration that prevailed during the 1980s and seems to have returned after the 2010s as contended by Tallon (2021) is characterised by the rolling back of the state with marginalised local authorities, the use of the PPPs and the rise of market-led regeneration.

Under market-led strategies, this type of regeneration policy provides a general framework for intervention and encourages private-sector investment following the principles of free-market operation. Tallon depicted the features of this regeneration agenda with having master plans omitted, indicating that 'the market dictates with the private sector at the lead and there is a minimal role for government' (2021:142). Even though local governments have a marginalised and minimal role to play in formulating and delivering regeneration, they still play a critical role to guide and lead the way in terms of vision and the direction for a city's future through the public leadership.

3.3.1 Political Leadership to Advance Market Sustainability

The evidence of literature in regeneration development implies that the role of political leadership at the local level can precipitate the success of partnership

working and policy implementation that translates into market outcomes influencing the economic competitiveness of the city and region (for example, Sørensen, 2020; Williams and Batho, 2005). The importance of public leadership in regeneration has been stressed by several scholars (for example, Hambleton's discussion on place-based leadership, 2015; Haase et al., 2021); however, the role of leadership has drawn little attention from academics. A similar account is shared by Rossiter and Smith (2017). They explained that the role of leadership had been overlooked by scholars but is an important ingredient in accounts of local economic development, particularly from the institutional perspective, for 'facilitating path creation, promoting resilience and enhancing competitiveness' (ibid:374), the latter two being primary indicators for the conceptual framework to evaluate the extent of market sustainability proposed in the previous chapter. The focus of this research is placed on how the role of political leadership facilitates the actions embedded in both the decision environments for regeneration development through partnerships and property market dynamics aiming to attract investment from financial institutions.

From the perspective of the 'state-market dialectic' (Tiesdell and Allmendinger, 2005:56), in the context of urban regeneration, market-aware planning is informed by the dynamics and motivations of the public and private actors in the regeneration development process and how the decisions that are made and actions taken, in aggregate form, become market outcomes. In this vein, political leadership and planning tools play an important role to frame the decision environment of the interaction between various actors embedded in the context of regeneration policies and developments. Although some critics consider that local political leadership can lead to the formation of closed and unaccountable

elites (John and Cole, 1999; Tallon, 2021), based on the above discussions, the role of political leadership is deemed an appropriate determinant of evaluating the outcomes of regeneration policies against the market performance due to the lengthy period of this research spanning fifty years from 1967 to 2017. This is particularly applicable for the case of the MRR that is to be elaborated in the next section. The analytical framework from a relational and institutional perspective adopted in this research enables the author to explore the relationship between political leadership, planning tools and market dynamics in the context of the decision environment associated with regeneration policy and development. This approach aims to provide a broad conceptual framework but not a causal theory with the intention to search fresh insights from the view of 'market-aware' planning in relation to the effect of local political leadership through the PPPs to shape the decision environment of market actors involved in regeneration developments to effectively deliver regeneration developments and attract institutional investors. The aggregative effect of these conditions impacts positively on fostering a sustainable regeneration market.

3.3.2 Leadership and Policy Implementation

In order to investigate the impact of local political leadership on the effect of policy implementation, the focus of this research on leadership mainly refers to the behavioural analysis of task-orientated leadership in the context of the local government. The reform of the local executive, directly elected mayors, has been proposed by the Labour government (DETR, 1998) based on the idea that the creation of powerful local leaders 'may be able to give much more coherence to local governance' (John and Cole, 1999:99). Although the political context of local government witnessed many changes in the past few decades, Leach and Wilson

(2002:666) contend that 'the fundamental tasks of leadership have not changed'. Some reservations on the approach of political leadership are raised; for example, the tension between leadership and democracy in the governance of the contemporary city (John and Cole, 1999), and a danger of possible corruption derived from the concentrated power in one or few person(s) (Tallon, 2021:114). However, the role of local political leadership in reference to the governance in urban regeneration is significant in facilitating in the process of strengthening collaborative actions within the PPPs (Williams and Batho, 2005:212) as one form of 'coproduction' (Bussu and Tullia Galanti, 2018) and should be placed through the lens of 'governing by blending the legitimate hierarchical power of the state with an inclusive approach to partnership building' (Hambleton, 2015, quoted in Tallon, 2021:156).

Bentley et al. (2015:197) conducted a literature review quoting Northouse's study (2013:5) defining leadership as 'a process whereby an individual influences a group of individuals to achieve a common goal' but also including leadership under 'a set of individuals'. In terms of leadership tasks, Burns (1978) as quoted in the paper of Bentley et al. (2015) contends that,

leaders are charged with identifying the need for change, creating a vision to guide the change through inspiration, and executing the change in tandem with committed members of the group.

Leach and Wilson (2002) also emphasised that the notion of leadership tasks centralised the analysis of leadership behaviour. Within the typology of various leadership tasks, the capacity of 'vision' generation and realisation through

leadership in cities has been repeatedly mentioned by different scholars (Adams and Tiesdell, 2010; Bentley et al., 2017; Hambleton, 2015; Leach and Wilson, 2002; Quiley, 2000; Shipley and Michela, 2006; Williams and Batho, 2005).

3.3.3 Visions and Regeneration Partnerships

Having a long-term vision has been claimed to be one of the ‘critical success factors’ in urban regeneration (Dixon et al., 2011; 2013) and this requires a strong political leadership in cities. Visionary inspiration is not exclusive to leadership but also important for planning practice as Shipley and Michela explained ‘[m]any planning exercises begin with visioning...There are jurisdictions that actually require a vision statement in plans’ (Shipley and Michela, 2006:223). The understanding of ‘visionary leadership’ is more than narrowly defined as a charismatic and transformational leadership. The author adopts the definition of the visionary leadership proposed by van Knippenberg and Stam (2014) as the communication of ‘an image of a future for a collective with the intention to persuade others to contribute to the realisation of that future’. They emphasised the ‘verbal’ communication but in this research, communication includes all forms including verbal, written and images that are able to convey policy strategies, ideas and values associated with their visions for the future. They also highlighted that visionary leadership was important in making leadership effective by motivating followers to pursue collective ends and objectives; this is categorised by Leach and Wilson (2002:667) as the leadership task of ensuring task accomplishment together with other relevant tasks mentioned – developing strategic policy direction for goal-setting, maintaining the cohesion of the administration and representing the authority in the external world to persuade followers and the public.

To ensure the materialisation of such visions for regeneration areas over an enduring period of time requires a strong leadership with consistent policy direction to facilitate the delivery structures (Hemphill et al., 2006:60) and mobilise needed resources through the PPPs as a contemporary form of urban governance. The simple definition of urban governance refers to 'the formulation and pursuit of collective goals at the local level of the political system' (Peters and Pierre, 2012) and the boundaries between the public and private sectors become blurred with the demonstration of utilising the resources from both sectors (Stoker, 1998 quoted in Peters and Pierre, 2012). However, Peters and Pierre (ibid.) contended that political institutions and elective office were supposed to play 'a leading if not dominant role in urban governance' in most democratic countries. With this in mind, they believed that the primary governance challenge to the local political leadership was to find a strategic approach in order to deal with synthesized contingencies in the process of governing and mobilising resources from various partners for the purpose of policy implementation that was influenced by their capacity to act and to adapt in a changing environment.

After reviewing several case studies of urban governance in a wide variety of global cities, Peters and Pierre (2012) concluded that among the successful cases it was evident to see the indispensable role political leadership played in the mobilisation and coordination in the process of urban governance. The strength of local political leadership can directly and indirectly affect the efficiency and effectiveness of implementing regeneration projects, which is ascribed partly to the economic efficiency of the development market on the supply-side production. As discussed before, the trait of prolonged construction lags proves to be part of the stock adjustment process of property development that can

precipitate property cycles (Barras, 2009:49). Following this logic, the local political leadership is closely related to the policy implementation capacity in regeneration development and eventually its efficiency has an impact on property market performance that generates a long-term effect on its economic sustainability.

3.4 The Risk Element and Regeneration Markets

Political leadership through visionary policy direction and place-marketing influences the effectiveness of planning tools proposed by Tiesdell and Allmendinger (2005) in shaping, regulating and stimulating the performance of property markets. They elaborated that these planning tools had various impacts on market actors' decision environments (Tiesdell and Allmendinger, 2005:63), which could be reflected in market characteristics of land and property concentrating on the scope of the risk perceived as shown in the following table. This principle can be applied to regeneration real estate markets. All four planning tools could influence the level of risk and confidence as one of the market characteristics identified. This risk encompasses development risk, financial risk and political/planning risk that affect market actors' decision environment on property development and investment, primarily private sector investors. The risk element underpins the debate of securing sustainable regeneration finance and investment through the interplay between local regeneration strategies and private-sector investors. As elaborated in the previous section, political leadership can help connect vision and implementation effectively in regeneration policy. Subsequently, effective implementation helps reduce various risks associated with regeneration development via the planning system that acts as a

state tool to shape, regulate, stimulate real estate markets and build various capacities of market actors. Given that the perception of investors and developers on risks is requisite for their decision-making process, this affects the probability of attracting and securing institutional finance and investment as one essential source of creating sustainable funding for regeneration development and fostering sustainable regeneration markets.

Table 2. Planning tools and risk

Planning tools	Impact on decision environment	Sub-types	Impact on the scope of risk element
Market Shaping	Shaping the decision environment or context	• Development plans • Regulatory plans • Indicative plans	Authoritative information and state commitment to reduce 'political risk'. (assumed resulting in a positive impact)
Market Regulation	Defining the parameters of the decision environment	• State (or third party) regulation • Contractual (or bi-lateral) regulation	Possibly reduce the level of risk in general.
Market Stimulation	Restructuring the contours of	• Direct state actions (e.g. joint ventures)	• Direct state actions: state commitment

	the decision environment	• Indirect/Fiscal measure	to actively reduce development risk. • Fiscal measure: to reduce financial risk.
Capacity building	Developing actor's ability to identify and/or develop more effective/desirable strategies.	• Fostering Actor-network relationships • Building Social capital (e.g. partnerships/partnering arrangements) • Challenging Cultural perspectives	• Actor-network relations: to reduce risk by providing opportunity to build working relationships and trust between market actors. • Social capital (via partnerships) : to reduce

			risk by building trust between market actors. Joint commitments increases confidence. To provoke reconsiderati on of risk.

Source: Adapted from Tiesdall and Allmendinger (2005)

The effective political leadership plays a role in reducing political risk in property development by giving a clear and visionary policy direction for future development. Newell and Steglick (2006) investigate why property development is inherently risky by analysing the risk factors perceived by developers in the process of property development. Political risk charts at 7th position in the top 10 property development risk factors which is higher than market risk in 10th place. This study emphasises the importance of obtaining support from the local community and local government particularly for the stage of pre-construction period. Healey (1992a) has posited that if development plans could direct future investment in land and development, this would provide certainty by reducing risks for developers. In the research of Tiesdell and Allmendinger (2005), it was concluded that authoritative information contained in council's plans reduces political risk. In the study of property development cases in England, France and

the Netherlands, Karadimitriou and de Magalhaes (2013:212) observed that the involvement of public actors in land and development helped reduce uncertainty and this was often welcomed by private actors who regard the local government's involvement as part of sharing risks associated with property development, particularly critical for regeneration projects.

3.4.1 Distribution of Risk and Private Funding

This thesis explores how local regeneration strategies through the planning system and the PPPs could create or have created a sustainable property market, which is defined as an ultimate goal of regeneration policy to overcome the issue of market failures with a focus on the attraction of sustainable private-sector investment/funding. The decision-making process of institutional investors, who are the dominant players in the office market, is framed heavily by the perception of the risk element associated with the targeted premises and local markets. The author of this research argues that sharing and distributing this risk in reference to regeneration developments could have a significant impact on the willingness of institutional investors to fund and finance such projects. Together with other scholars (Brill and Robin, 2020; de Magalhaes et al., 2018 quoted in Brill's research, 2021), Brill remarked (2021:16) that 'research shows that risk is heavily influential, in terms of what development comes forward and in what way'.

This risk element is derived from the conversion of uncertainty associated with market activities that reflects the lack of knowledge concerning possible outcomes of future events (Adams et al., 2005:50); for example, the threat of COVID-19 demand shock on vacancy rates represents a huge risk for pension funds (Brill et al., 2022:11). Risk is characterised in a form of calculating the likelihood in relation to the possibility of the outcome that might take place (ibid.).

Market imperfections and failures particularly in land and property point to the importance of risk and uncertainty (Adams et al., 2005:34). Risk theory within mainstream economics highlights that public policy may play a significant role in determining the context of market operations (ibid.) as well as affecting market pricing (Adams et al., 2005:50) that potentially can increase or diminish the scope of risk.

In the analysis of the case in Paris, Guironnet, Attuyer, and Halbert (2016) argued that the risk associated with regeneration development was one of the key market finance categories that was translated into elements of the urban fabric and by doing so the financial investors' expectations were met. Some scholars acknowledged that the rise of the financialisation of property markets also affected urban regeneration projects and accordingly the role of city governments could potentially shape financial markets or be shaped by them (Guironnet et al., 2016; Weber, 2010). Aalbers (2019a:7) noted the similar shift derived from the impact of finance on real estate development concerning the fact that 'projects are increasingly developed with investor rather than a user in mind'. He explained that the growing importance of financial investors in the ownership of the built environment, particularly commercial real estate, started in the 1970s when financial institutions such as pension funds incrementally acquired commercial real estate such as office buildings as part of their portfolios of properties that were managed globally to benefit from risk diversification. The practices of these financial investors therefore can shape urban redevelopment projects (Guironnet et al., 2016), for example, the valuation method for such assets. The calculation of commercial property value is based upon using a discount rate to capitalise future rental income flows to a present value. This discount rate is called 'All Risks

Yield' that represents 'the opportunity cost of investment and the specific risks of the particular property being valued' (Rydin, 2016:749).

The rise of the financialised property markets also affects the search for alternative financial instruments for local governments to fund services and regeneration developments. The incremental creation of financialised municipal debt management is a response to 'fiscal constraints and financial market euphoria' (Aalbers, 2019a) through entailing the use of more sophisticated techniques such as derivatives instruments or government bonds to managing risk as well as formulating the PPPs to 'capitalise on future income streams from public services and utilities' (ibid.). Some empirical studies of the financialisation literature document that the increase in institutional capital has transformed a wide variety of public goods into financial assets and real estate becomes the one of the most popular targets. Aalbers (2019a) contended,

Accordingly, state agencies and public policies are increasingly steered into facilitating financial investments into land, real estate and infrastructure, thereby triggering changes in organisational culture and transforming urban planning from providing public goods to facilitating the creation of financial assets.

This process is termed as 'assertisation' and requires mobilising a range of regulatory and socio-technical changes and constructions. Aalbers (2019a) reviewed the literature on assertisation and concluded that the role of the state was pivotal in creating and remaking financial markets, which did not occur

naturally but ‘they need to be imagined and performed before and while they can be enacted, institutionalized and made in both the material and financial sense’.

The comment made by Aalbers (2019a) on the state role of ‘risk absorber’ questions whether the state actively promotes the movement of the financialisation to benefit the interest of the private sector rather than one of the general public. Financial liberalisation gave rise to new available credit to fuel the production of new ‘glitzy office space’ from the 1980s in the CBDs of cities globally (Aalbers et al., 2020:206) and this process is termed by some scholars as ‘the financialisation of commercial property (Aalbers, 2019a; Rydin, 2016). Institutional investors and other large corporations rely on investments in commercial real estate, which are regarded as key assets. The financialisation of commercial real estate such as office buildings manifests a new way of making money by narrowly focusing on ‘outsourcing and short-term profits at the expense of integrated development, long-term investment, and nonfinancial innovation’ (Aalbers, 2019a:8), which pursues profitability derived from speculative real estate transactions and consequently undermines long-term economic stability (Aalberts et al., 2020:206). The spread of this ‘financialised’ investment practice was ‘further facilitated and regulated by public bodies of state’ (ibid.) through new tax regimes as one such example (Weber, 2015).

The tightened linkage between real estate and financial markets results in the weakening connection between user and investment markets where the real estate is located to determine the rental values (Aalbers et al., 2020; Weber, 2015). The shares of real estate are traded in the stock market, which denotes a fundamental transformation of the rent paid by tenants being absorbed by capital markets ‘which squeeze out the rental potential from urban areas’ (Aalbers et al.,

2020: 208). Subsequently, the rent is incrementally losing the real meaning to signal the changes of market demand in working spaces derived from the use market. Commercial real estate markets then become more unstable and the economic growth can be fuelled by speculative investment and easy access to credit markets (Aalbers et al., 2020; Jones et al., 2018).

This form of economic growth through the financialisation of real estate is politically enabled since many governments including UK adopted the neoliberal agenda of private property by deregulating the rules of mortgage and credit markets to widen access to them (ibid.). This consequently causes economic instability in the long run. It is no surprise to note that local regeneration policies in the UK have been part of this neoliberal agenda and been utilised to promote this type of economic growth through real estate markets since the 1980s. Following the trajectory of the state as a political enabler to the creation of 'financialised' real estate markets, the role of the local state has been pivotal in possibly deepening the worries of economic instability at the municipal and regional scale.

3.4.2 The Perception of Risk and Mutual Learning

Mutual learning on factors, such as risk and uncertainty, between planners and private sector partners, such as leading developers, in the setting of the planning system and development process can profoundly affect the success of delivering development projects. This argument is based on Faludi's study (2000) on mutual learning in planning and Healey's study (1992) on 'organizing ideas' which 'inform the interests and strategies of actors' who are involved in the development process and acknowledge 'the importance of ideology in structuring the

consciousness of actors'. These two concepts are employed to analyse how these public and private market actors engaging in regeneration development use 'market information' to inform either the prospective vision for designated areas or their strategies for drafting an appealing 'narrative' to sell or lease out these property developments.

Faludi's (2000:299) interpretation of the role of planners is discerned in the light that planning is not about a process of material production but rather 'a soft process of mutual learning' involving interaction between a multitude of actors within 'multifarious negotiations' if in the form of governance, that are acted out in a style with soft non-legally binding and flexible rules' in addition to hard forms of planning regulation as one dimension of recent evolution in urban development planning (Raco et al., 2019:1069). The need for 'mutual learning' is suggested to be particularly important in the situation that is featured by 'uncertainty and conflict around spatial development'; strategic plans act as guidance to inform decision makers 'about implications of their various courses of action' assisted by the minds and ideas of planners exploring the possible and best solutions, while the 'invisible product of planning' (Faludi, 2000:304) attempts to resolve the problem in a conflicting situation. This can only be achieved 'after learning has taken place, after consensus has been established, [only then] can the switch be made to formulating plans for selected projects' (ibid.). The process of mutual learning in the 'minds' and 'ideas' of actors could be understood by the explanation of Healey's study in 1992. She contends that 'the ideas which inform the interests and strategies of actors as they define projects, consider relationships, and develop and interpret rules' and 'ideas in effect acknowledge[s]

the importance of ideology in structuring the consciousness of actors' (Healey, 1992a:35).

As discussed before, risk is heavily influential (Brill, 2021) on the decision-making of strategies made by public and private actors involved in property development and investment. The risk element in regeneration development has attracted substantial attention from scholars (Adair et al., 2003; Guironnet et al., 2016; Haran et al., 2011; Karadimitriou et al., 2013; McGreal et al., 2000; Tallon, 2021; Taşan-Kok et al., 2021:384; Williams and Batho, 2005) while debating the effect of the PPPs as policy delivery mechanism embedded in the dominance of the market-led strategies. Consequently, how these participants perceive the risk element through negotiations and mutual learning can significantly shape the nature of these partnerships, which in turn affects their capacity to effectively implement regeneration projects.

In the UK, the PPPs have played a prominent role in flagship urban regeneration projects, particularly in city centres, since the 1980s (Tallon, 2021:49). This type of collaboration is deemed important to confidence building and risk minimisation; therefore city governments aim to promote it based on the assumption of interdependent interests and sharing of risks by public and private-sector partners (Williams and Batho, 2005:210). The pivotal focus is concerned with a variety of strategies deployed by public and private actors to tackle the risks and uncertainties exposed in individual regeneration projects. Through the collaboration and negotiations between these actors, they learn and obtain knowledge and 'know-how' from each other on discovering the working arrangement to share these risks and interests that reflect different requirements

and constraints due to the various extent and scope of the partnerships (Karadimitriou et al., 2013:2).

The transformation of city centre regeneration often consists of prestige projects in commercial real estate (Williams and Batho, 2005:214) and the perception of risk calculation is influenced heavily by financial investors who may pursue conflicting objectives from the agenda of city governments. The increasing entwinement of financial markets and the built environment urges public and private actors participating in the implementation of regeneration projects to learn new skill sets and acquire up-to-date knowledge, for example, the discussion on recent shifts towards viability-based planning (Raco et al., 2019:1066). The financial investors who act as intermediary investors provide a crucial link between financial markets and commercial real estate. Their portfolio management practices, that are based on risk-adjusted return calculation derived from market finance, favour socially processed investment criteria that are highly selective in terms of preferred investment locations, types of buildings or tenant profiles. 'Financialised valuation' method underpins the approach and practices of finance professionals (Rydin, 2016:749). Property developers play a key role in mediating such investor expectations and therefore contribute to the circulation of their clients' (financial investors) selective investment criteria to other actors involved in urban redevelopment such as planners and politicians sitting at the planning committee inside local governments (Guironnet et al., 2016:1443).

These authors posit that city governments may be in a difficult position to smooth any tensions derived from where the agendas of city government, for example, social, infrastructure and environmental provisions that are expected to be paid by private-sector partners as part of negotiations in regeneration developments,

diverge from the expectations of financial investors. The aim for city governments is to find the funding to pay for the cost of regeneration projects from the private sector and then pay this money with the future fiscal income streams generated from these regeneration properties based on their potential for 'tax revenue-generating uses' and 'rent-capture strategies'. These potentials need to be supported by a healthy margin of rental growth and returns matching the expectations of financial investors and then this can persuade investors to put their money into regeneration projects. The author's focus is placed on the role of this trend shaping the development of mutual learning among public and private sector market actors in delivering regeneration development measured against the visionary objectives set by city political leaders.

3.4.3 Market-related Contribution to Planning

This research follows the stand of the institutional economics to explore the interplay between urban policy and real estate markets by adopting the standpoint that 'state-based systems...promote and govern place quality' (Alexander, 2009). The state-based system includes planners and local politicians, who are part of 'social institutions' which 'facilitate and structure' (Hodgson, 1988:174, quoted in Adams and Tiesdell, 2010) or 'frame and re-frame' (Adams and Tiesdell, 2010) real estate markets. Adams and Tiesdell (2010) have suggested distinguishing the notion between economics and markets in response to Evans' statement that, 'I know of no evidence that planning has in practice been affected by any of the contributions made by economists' (Evans, 2003:196). Planners working at a strategic level take an interest in economic issues, such as employment and local economic growth. They interact with markets in land and property through planning control

concerning real estate development as well as regeneration policies but 'tend to adopt a detached view of the market that is implicitly grounded in mainstream economics.' However, the study of economics focuses on, 'how society decides what, how and for whom to produce (Begg et al. 2003:3, quoted in Adams and Tiesdell, 2010)', and allocate resources efficiently; while markets can be seen as,

a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated and structured by those institutions... Markets, in short, are organised and institutionalised exchange (Hodgson,1988:174).

The perception of markets in capitalism that incline to 'privilege the rich over the poor' (Adams and Tiesdell, 2010:190) could be a difficult one to embrace for some planners who were trained to aim for the public interests and social justice. As a result, as Healey comments, 'Planning has often been considered as opposed to the market (1992b:13).'

The discussion above explains the critical but often ignored diversion between economic affairs and market implications that the potential 'blind-spots over policy decisions' (Davis and Walsh, 2017:34) derived from partial understanding of market mechanism and behaviour since market actors in financial markets emphasise different aspects of market outcomes and performance from Neo-liberal policymakers. As explained by Davis and Walsh, the assumption of Neo-liberal policies is rooted in the Neo-classical economics focusing on production and consumption, traditional supply and demand factors but '[f]inanciers create and deal with multiple capital equivalents that are ignored by economists', rather

'[t]hey focus on market transactions and liquidity' (ibid.). Therefore, they conclude that '[f]or all their complementarity, Neoliberal thinking and financier thinking are not entirely synonymous' (ibid.). Taking the institutional perspective, planners are also one form of market actors who help shape, regulate and stimulate the market dynamics. The dichotomy between planning and markets has been deemed as fundamental since economists tend to focus on analysing the outcomes both brought about by social planners and through the interactions among individual agents. Usually, they explain that 'Pareto optimality can be achieved through an invisible hand guided by self-interest, rather than a scheming and purposeful planner guided by benevolent intentions (Davis and Walsh, 2017)'. The distinctions between planning and markets have been emphasised over time and have become the 'orthodoxy in many fields, including urban economics and urban planning (Kaza and Knaap, 2012:2)'. The author agrees with the view of Kaza and Knaap (2012) as well as others (for example, Adams and Tiesdell, 2010) that 'research by planners and economists are better viewed as complements than as substitutes when plans and planning are used in situations where both single and multiple actors think before acting, using limited information'.

However, in practice, the price of land and property seems to be irrelevant to planners since they believe that for example, 'land price should reflect planning, not the other way round' (Evans, 2003:198). Evans observes that 'this view of planning as an end in itself is prevalent in large parts of the British planning profession' meaning 'planning should lead and the market should follow'. But this view may be tempered by economic reality. For example, in areas where incomes are lower and unemployment higher, plans have to be more flexible to permit the economic development that every local politician wants in his or her constituency

(Evans, 2003:199). Another example is that planning regulation framing the development process on the division of risk between different actors at the local scale is often deemed irrelevant by investors (Brill, 2021:3).

Evans (2003) proclaimed that 'land use planning is the responsibility of two groups – professional planners and politicians' (ibid.). As he notes, 'planning decisions are primarily made by politicians. Planning is therefore a political activity, subject to political forces and political manipulation. The aim is not the maximisation of economic welfare and the balancing of social costs and benefits, as the welfare economist might expect, but the satisfaction of the claims of particular interest groups'(ibid.). The view of welfare economics assumes that government decisions are impartial and disinterested but the view of public choice theory suggests that planning decisions can be manipulated by special interests due to their political nature. Evans deploys the cases in USA, UK, Australia and Italy to demonstrate that 'political intervention in the planning system can have substantially different consequences' (2003:209).

Although market dynamics have been side-lined by planners, some studies illustrate that planners or public policy in general might effectively help construct markets by deploying a variety of 'planning tools' (Adams and Tiesdell, 2010; Lord and O'Brien, 2017; Tiesdell and Allmendinger, 2005). On the one hand, 'planning can [potentially] create market distortions' but on the other hand, 'planning can have a vital role in animating development' (Lord and O'Brien, 2017:228). From the perspective of urban regeneration, reduction or increase of risk is perceived as a paramount factor in affecting the decision of private-sector actors as to whether or not they are to invest subject to the facilitating role of the public sector (Adair et al., 1998, quoted in Adams and Tiesdell, 2010;

Karadimitriou and de Magalhaes, 2013; Lord and O'Brien, 2017:219). In this sense, the public sector, in particular local authorities, acts as the 'first-mover' who can facilitate the development process or become the first direct investor to provide confidence to investors that raises the level of trust between market actors and the 'market quality' under the function of the presence of a market maker (Lord and O'Brien, 2017:222).

The benefit of the act made by local governments as the first mover in the development process is that the municipality can be in a strong position 'to shape the nature of development' (Lord and O'Brien, 2017:223) that follows by 'directing the behaviour of private developers towards the achievement of public policy goals' (ibid.) functioning as one form of the leverage. But at the same time, local authorities have to bear the risk of being the first mover. The prevalence of the PPPs employed heavily in delivering regeneration developments from the 1980s in the UK emphasises the importance of establishing stable coalitions of these actors. Subsequently, this also points out 'the pivotal role planning can play in providing a strong framework' (Lord and O'Brien, 2017:224) to achieve the formulation of stable coalitions that necessitates the guarantee of the completion of developments.

This task of formulating stable coalitions resembles the planning tool of capacity building. However, the approach of these two frameworks proves to be diverse. The former suggests the utilisation of 'behavioural cues' such as incentives and penalties (ibid:225); the latter focuses on fostering trust and mutual respect through building strong networks and relationships (Tiesdell and Allmendinger, 2005). However, since risk is regarded as a key determinant to shape the behavioural character of the coalitions, the distribution of risk serves to 'define

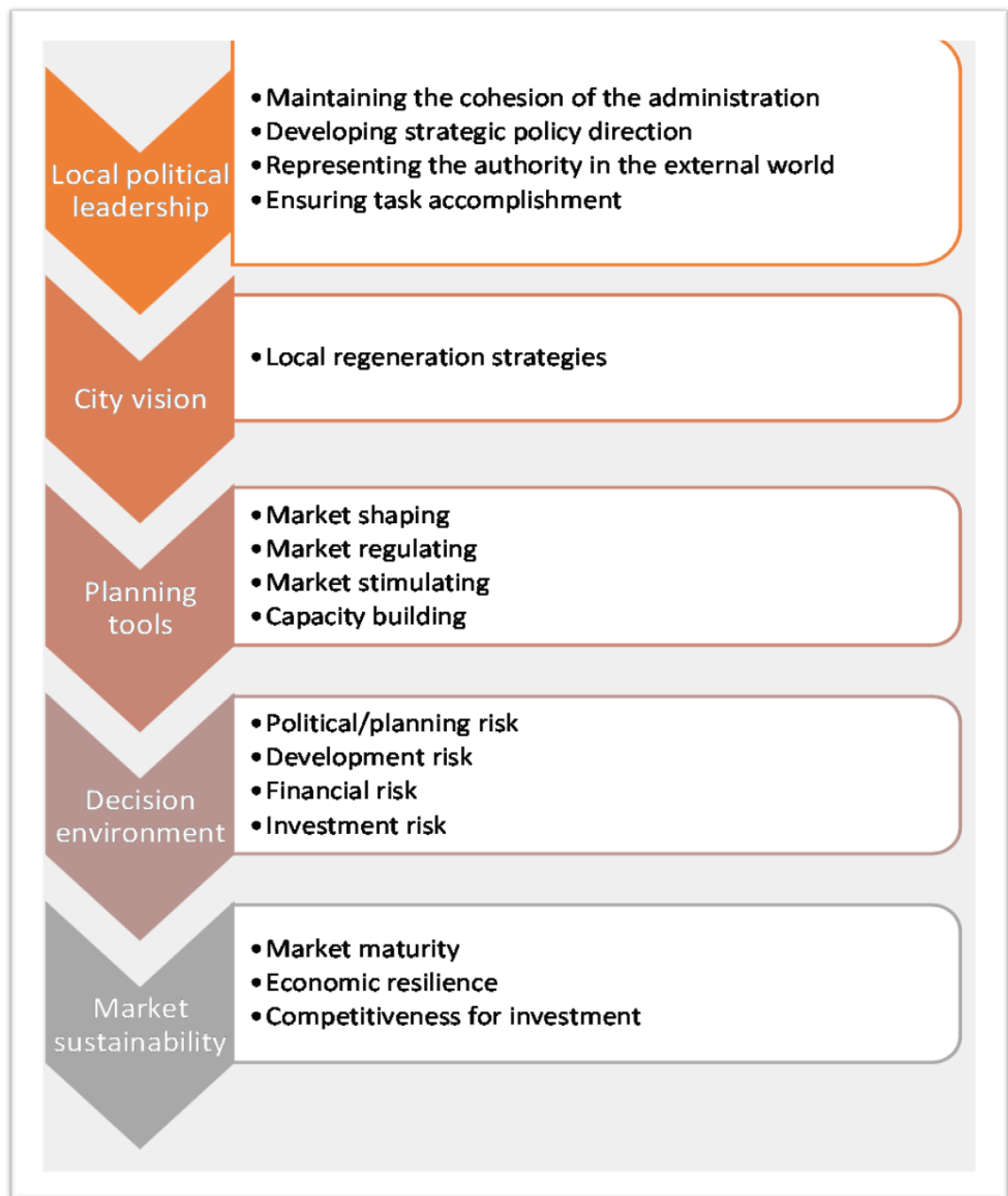
the development process in any given setting' (Lord and O'Brien, 2017:226). The findings of the study of three development cases in France, Germany and the Netherlands conducted by Lord and O'Brien (2017) indicated that there was an urgent need for local governments to search for 'methods that share risk more evenly between public and private sectors' (ibid:227) since deadlock and the standoff between developer and local state could prevail when a single agency must bear all the risk in regard to land assembling and infrastructure provisions, as often is the case in the UK, but no party was in the position to make a first move (ibid:228). The behavioural traits of the public and private actors involved in regeneration developments are shaped by the intersection between contextually variegated real estate markets and the planning system. These behavioural cues are still under-explored but arguably all contextual settings 'demand a role for state, usually through planning, to make these markets work' (Lord and O'Brien, 2017:229).

3.5 Analytical Framework of Market Sustainability

Through reviewing the relevant literature, a conceptual framework is developed to explain the relationships and components of political leadership of local government, market characteristics of planning tools and market sustainability framework (see Figure 2). The logic of linking local political leadership and planning tools to market sustainability derives from the nature of this research that overlooks a long-stretched period of fifty years (1967-2017) concerning what impacts local regeneration policies have on the advancement of economic sustainability in regeneration office markets through the interaction with private institutional investors. Due to the lengthy period as well as the long-term vision

identified as one of the critical successful factors for regeneration, according to the body of literature discussed in the previous section, the role of the local political leadership appears to be the common and paramount element to be utilised in the analysis of the visionary regeneration strategies evolved over time and their impacts on the performance of regeneration markets that are influenced by a variety of planning tools, the effect of regeneration partnerships, and the extent of leveraging sustainable funding and investment from private sector. Building on this, it should be noted that there are alternative analytical frameworks or methods that can be employed to answer this research question but only partially, for example, Weber's model based on the circulation of capital underpinning the overbuilding in Chicago's office market (2015) or the application of project ecologies to analyse local property development networks (Henneberry and Parris, 2013).

Figure 2. Analytical Framework for Market Sustainability



To fully understand the rationale of this conceptual framework, it is essential to clarify the meaning and scale of each terminology used in this framework. In this research, the focus is placed on the commercial property market since there is a relative lack of studies that assess the impact of planning on markets other than

housing (Ploegmakers and Beckers 2015). This framework adapts the task-orientated leadership framework of Leach and Wilson (2002) as well as the metric of planning tools and market characteristics proposed by Tiesdell and Allmendinger (2005) in the context of policy evaluative measurement for market sustainability suggested by the author. Leach and Wilson brought forward a research framework based on the model of Kotter and Lawrence (1974) on political leadership of elected mayors in America. They contended that the focus of leadership behaviour analysis should emphasise the purpose of leadership tasks (Leach and Wilson, 2002; Stone, 1995). They proposed four primary tasks encompassing maintaining the cohesion of the administration, developing strategic policy direction, representing the authority in the external world and ensuring task accomplishment (Leach and Wilson, 2002). The functions of political leadership bring out the formulation of the city vision that is translated into local regeneration strategies. These regeneration strategies are then delivered through planning tools by shaping, regulating and stimulating the decision environment of market actors as well as building capacity among these actors. The effect of these influential actions is reflected in the extent of risk associated with regeneration development and investment. This risk can be further divided into development risk, political/planning risk and financial risk as elaborated in the previous section. The risk element becomes the core ingredient to assess the level of market sustainability in the aspects of market maturity supported by economic growth, economic resilience within property cycles and city competitiveness for inward investment.

3.6 Conclusion

This chapter has examined and critically analysed the body of literature review underpinning the second sub-research question as to how local regeneration policies have shaped and influenced the extent of market sustainability with a focus on the policy goal to attract private institutional investment for providing sustainable funding and supporting the creation of sustainable markets. The analysis of these literatures shows that even though market-led strategies have prevailed in the agenda of regeneration policies since the late 1970s under the domination of neoliberalism and entrepreneurialism, policymakers and state planners still pay little attention to better understanding the policy impact of the market dynamics. As a result, the task of evaluating the outcomes of regeneration policies focuses more on the number of jobs created or the calculation of cost and benefit for individual projects but omits the possible contribution from the performance of property markets as one of the important attributes of local economic development.

Chapter 2 has outlined the literatures underlining the conceptual framework of market sustainability following the proposal of sustainable regeneration funding and markets as an ultimate policy objective in the context of increasing funding pressure under the austerity measures emphasised by the Coalition and current Conservative governments since 2010. Building on this evaluative framework on the outcomes of economic regeneration policies, this chapter elaborates how this conceptual framework can be analysed on the ground by linking the role of local political leadership in regeneration policies and partnerships to effectively connect vision and implementation in terms of place-making to the involvement of private institutional investors through perceiving the distribution of risk in

regeneration development and investment that eventually affect the likelihood of creating the source of sustainable funding and fostering sustainable regeneration markets in the long run.

Chapter 4. Research Methodology

'[Research] design is not chiefly about techniques or procedures. It is more about care and attention to detail, motivated by a passion for the safety of our research-based conclusions.' (Gorard, 2013: 4)

4.1 Introduction

This chapter aims to elaborate the rationale and epistemological position adopted with reference to the research design and appropriate research methods selected to collect the necessary data in order to answer the research questions set out in chapter 1. Section 4.2 explains the application of the conceptual framework for market sustainability. Section 4.3 introduces the selection of the mixed method and the logic of research design chosen for data collection as well as the explanation of indicators and measurements adopted to evaluate the degree of market sustainability in the regeneration office market. Sections 4.4 and 4.5 demonstrate respectively how data sets are to be analysed by considering appropriate techniques to gather quantitative and qualitative information required and detailing the sources of data collected. Section 4.6 addresses the strategies and limitations for data interpretation and integration. Section 4.7 provides a succinct summary of this chapter.

4.2 Conceptual Framework for Market Sustainability

In section 2.1.4, the framework of market sustainability (see Figure 1) was introduced to assess and testify the capacity of regeneration policies to effectively foster sustainable property markets that promote economic sustainability in local markets. This framework is applicable to different types of sub-markets in the

property sector, such as retail or housing market, however, due to the available information as well as a need to investigate the seemed close linkage between office market expansion and regeneration strategies employed by the MCC since the 1970s, this research places the primary attention only on examining this office sub-market.

To assess the level of market sustainability in the property sector, three factors have been identified as the key elements of defining a sustainable property market in the conceptual framework. Firstly, the level of market maturity will be measured by looking at the market performance of the selected areas showing any evidence of sustainable growth that has been the focus of sustainable development of the government policy; the second element is to assess the resilience of the regeneration property market in Manchester by reviewing the movement of regeneration property values and investment risks over the past decades against the market benchmark during several property cycles; the third factor is to explore the current involvement of institutional investors in regeneration and also to seek insightful views on how to sustain long-term investment within a competitive environment.

4.3 Mixed Method

4.3.1 Research Design

The research design of the thesis is embedded in the structure of the conceptual framework on market sustainability deployed to answer the following research questions and the primary research question:

How effectively have regeneration policies in the UK fostered economic sustainability of real estate markets?

Two sub-questions extend from the primary inquiry:

- 1. How successfully have regeneration real estate markets performed according to the measures of market maturity, economic resilience and competitiveness for investment?**
- 2. How have local regeneration policy approaches shaped and influenced the extent of economic sustainability through their interaction with private sector investors?**

A mixed method is employed in this research consisting of a quantitative measurement, by using the index analysis in order to understand the chronological market performance in the office sector since the 1970s in Manchester enunciated in the first sub-question; qualitative methods which include the case study approach and semi-structured interviews to the institutional dynamics of politics in regeneration policy that responds to the second sub-question; finally, the qualitative analyses are to be linked to the numerical evidence of market performance in order to produce the integrated findings to answer the primary research question. The hybrid methods discussed are shown in Table 3. As deliberated in chapter 2, the policy and market relations are in many cases indirectly and implicitly connected and to investigate the complicated interplay between regeneration policies and property markets requires various forms of data. Given the nature of these research questions for this thesis, to address them probably requires methods that are able to ‘obtain more complete and corroborated results’ (Creswell and Clark, 2018:8). As Creamer (2018:3) explains, the purpose of adopting a mixed method is ‘to enhance the validity through triangulation’ that ‘is a foundational construct in mixed methods research’ and ‘involves corroboration or verification through

multiple data points or multiple types of data about the same phenomenon'. The mixed methods approach provides a good balance of investigating the width and depth of the research question (Swanborn, 2010:5).

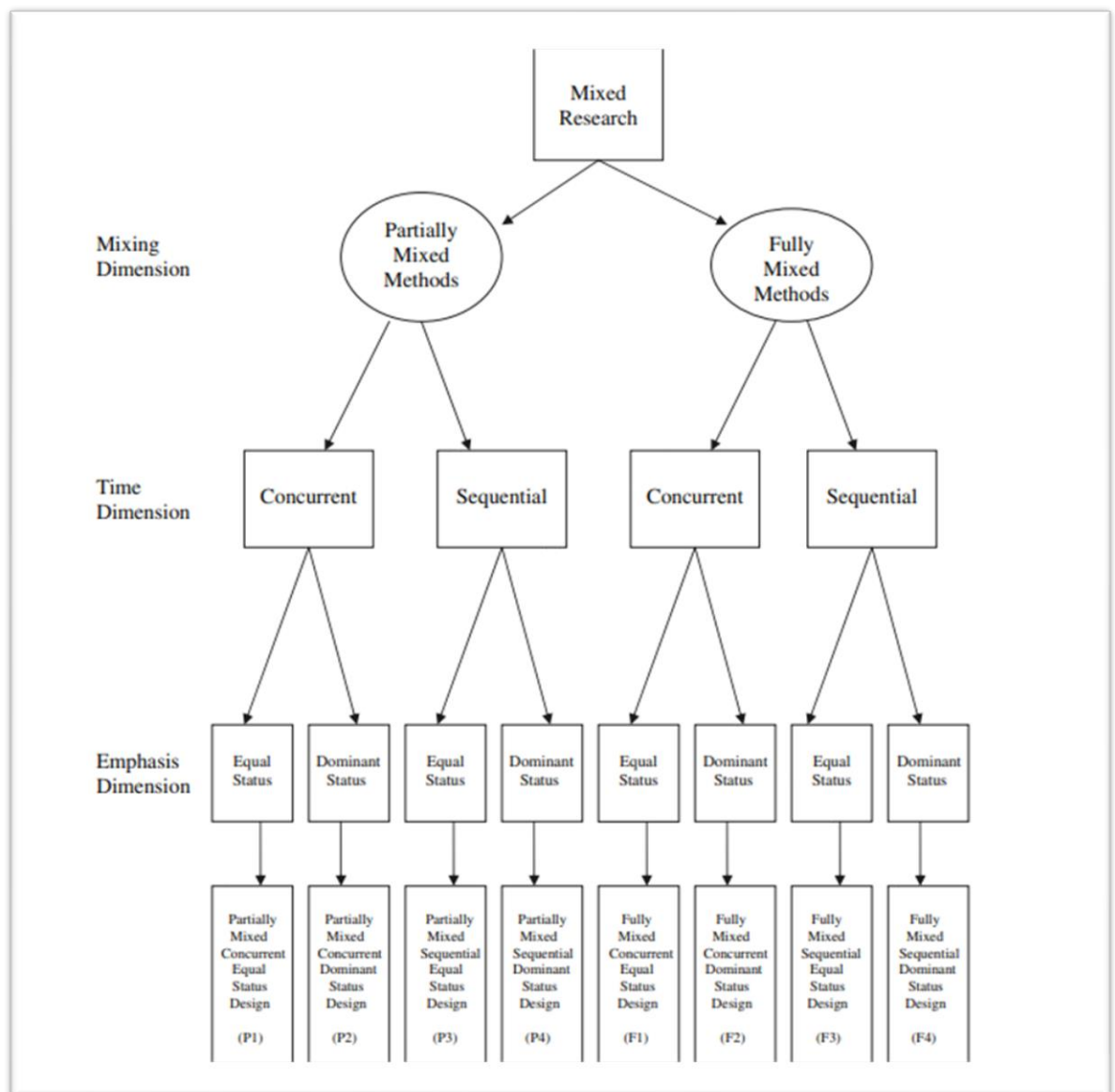
Table 3. Research Design – Mixed Method

Research design	Mixed method	
	Extensive approach (Quantitative)	Intensive approach (Qualitative)
Methodology	Case study	
Method (s)	Index analysis (statistics)	Interviews (Thematic analysis)
Comparisons	Between regeneration properties and mainstream properties regarding their market performance	Focusing on one selected city to observe views by interviewing different market actors on regeneration property market of Manchester
Measurement	• Market maturity • Economic Resilience • Competitiveness for long-term investment	• Market maturity • Economic Resilience • Competitiveness for long-term investment

As for the level of mixing, time orientation and emphasis, this research employs a partially mixed concurrent equal status design (see Figure 3). According to Leech and Onwuegbuzie (2009:267), 'with partially mixed methods, both the

quantitative and qualitative elements are conducted either concurrently or sequentially in their entirety before being mixed at the data interpretation stage'. This applies to the process of collecting and analysing both quantitative and qualitative data sets that are integrated across the three measuring indicators for evaluating the degree of market sustainability.

Figure 3. Three-dimensional typology of mixed methods designs



Source: Leech and Onwuegbuzie (2009)

A regeneration property index is constructed to compare the market performance between regeneration and non-regeneration properties in the city centre of Manchester since the 1970s. The reasoning for the construction of this property price index is because it is common to be used as a market benchmark to calculate (Wilhelmsson, 2009:120), for example, average returns and standard deviations. The calculation of standard deviations is one of the techniques employed to measure the level of economic resilience discussed in the latter section. The qualitative research method comprises two elements: firstly, the case study methodology to look at the formulation of the MRR that refers to a policy implementation mechanism with a commercial focus through the PPPs by studying the archival planning documents and other relevant written papers; secondly, undertaking semi-structured interviews with key public and private market actors who have been involved in the formulation and delivery of these regeneration policies and initiatives as well as other relevant market participants to obtain insights on the interplay of the state-market relations through urban regeneration policies.

The property index seeks to examine whether the level of rental value and growth in the regeneration property market have reached maturity in comparison with the mature mainstream market, which is the framework for evaluating the extent of market maturity in regeneration areas suggested by Jones and Watkins (1996) and discussed in chapter 2. The construction of the regeneration property index mainly entails collection of the data of annual rental figures by accessing the property databank of CoStar, which is documented in detail in chapter 5. The intention of undertaking interviews is to piece together a more thorough picture of how the regeneration policies have influenced the behaviour and performance

of the property market in enhancing economic sustainability. The logic behind this research design is that where the statistics seem to be factual but static, the interview data could supplement the 'hidden' scenes or reasons behind these figures or phenomena.

4.3.2 Case-Study Approach

A case-study approach is used to identify regeneration properties in Manchester city centre which have been constructed through the regeneration initiatives starting from 1967 by reviewing the city Council's documents, existing maps and relevant reports, as well as undertaking surveys by visiting the sites in the designated research areas in the central city of Manchester to collect the up-to-date information. A list of the regeneration properties has been produced on the basis of the information through the existing data and site surveys as the research/targeted buildings. Manchester has been selected because it can be regarded as a 'representative case' as one of the procedures for choosing cases (Swanborn, 2010:52). Here there has been vibrant literature documented on Manchester concerning the issues of urban regeneration and governance with new developing interests such as the city-regional concept in devolution (Hodson et al., 2020) or revisiting the analysis of the political economy in Manchester (Harding et al., 2010).

For disciplines such as sociology or urban studies, the case-study approach emphasises the detailed description and an understanding and explanation of a social process or phenomenon (Swanborn, 2010:22). Given the nature of this research which focuses on the chronological development of interaction between regeneration policies and the office market in Manchester from 1967 to 2017, the feature of the case-study approach as 'intensive' research helps researchers to

study one or few object(s) in depth with great detail by collecting many separate variables to measure and be monitored over time. One of the critical benefits with this type of research method is that it helps us 'to describe and explain the history, the changes during the period under study and the complex structure of the phenomenon' (Swanborn, 2010:2). One of the advantages of case studies is that it allows one to study a case in-depth but will not be preferable to be used in isolation (Gorard 2013:18). As a result, the combination of other methods aims to study the case holistically, which requires the need to collect multiple sources with a flexible approach to overcome the challenge of diversity for data collection (Olsen, 2012).

4.3.3 Data Collection

The mixed research design requires collecting various data deemed appropriate for each research method. This includes carrying out a survey of archival documents to formulate the background knowledge about the history of Manchester and the development of the city since 1967. Based on the literature review, the primary indicators and respective measurements have been identified. These measurements then are divided into quantitative and qualitative data groups in accordance with assumptions established through literature. Then the relevant data are collected through interviews and the property database for index construction is derived from CoStar, IPD (then MSCI, 2012), Office for National Statistics (ONS) and other market reports.

4.3.4 Archival Survey

The aim of this research is to establish the relationship between regeneration policy and the property market. The case study method is to look at one case of

the city of Manchester over a lengthy period of time from the late 1960s to 2017. In order to draw up a thorough picture of how this city has evolved over fifty years, it is valuable to read through various sources of published documents about the history and development of Manchester over this time. They cover the relevant planning documents published by the Council, newspaper articles, academic papers and books. This archival survey also provides the information about the regeneration plans for each designated area over the selected period of time, which leads to the determination of the boundary for this research. Table 4 summarises the planning documents published by Manchester City Council, which have been consulted in this research.

Table 4. Planning Documents Published By Manchester City Council

Year	Title of document
1961	Manchester development plan
1967	Manchester city centre map
1984	Manchester city centre local plan
1992	The Manchester plan. The unitary development plan for the city of Manchester.
1994	Economic development statement
1994	Sustainability in Manchester
1994	City pride
1995	The Manchester report: outputs of global forum 1994
1995	City development guide: draft
1995	Manchester: 50 years of changes

1995	The Manchester plan. The unitary development plan for the city of Manchester.
1996	A Guide To Development In Manchester
1996	Supplementary Planning Guidance (SPG) for the bomb damaged areas.
1997	City Pride 2
2001	City Pride Partnership
2002	Manchester City centre strategic plan.
2003	Manchester City Centre: Strategic Plan 2004 – 2007
2007	Guide to Development in Manchester Supplementary Planning Document and Planning Guidance Adopted April 2007
2011	Manchester Core Strategy 2012 to 2027
2012	Manchester's Local Development Framework - Core Strategy: Development Plan Document
2014	City Centre Strategic Plan 2015 – 2018

4.3.5 Indicators and Measurements

As discussed in the previous section, based on the literature review, three indicators are identified as well as measurements for each indicator. Table 5 and Table 6 explain how the selected research methods are used to measure these three indicators.

Table 5. Codes and measurements for indicators

CODE	MEASUREMENT

(A)	The level of rental values and growth
(B)	The level of investment risk
(C)	The level of involvement of institutional investors in regeneration areas
(D)	The perception of city image for investment and businesses
(E)	The effectiveness of local governance
(F)	The effectiveness of local authority leadership

These measurements also act as the groundwork for designing the interview questions and deciding the groups of interviewees (see appendix. Measurements (A) to (F) are used to examine the level of the market performance in the context of its maturity, economic resilience and competitiveness for investment. These three variables are relevant in the assumption that firstly a market needs to be mature enough to support economic activities. Based on this foundational hypothesis, such a market is able to survive and develop sustainably during the property cycles and disastrous events in order to sustain its economy and prove its economic resilience. Moreover, in the international setting for investment and trades, the capacity to attract continually long-term investment, which could be achieved by drawing in institutional patient capital (Brill et al., 2021), is critical for a city's economic development; whilst measurements (D) to (F) are deployed to testify the efficiency and effectiveness of the local government and the PPPs, they also consider local political leadership's role of aiming to strengthen the level of economic sustainability through regeneration policies and various planning instruments that have been discussed in the literature review chapters. These

factors directly and indirectly shape and influence the decision environment of these market actors (Tiesdell, and Allmendinger, 2005); these phenomena cannot be observed through the statistical data analyses.

Table 6. Measurements and research methods

Market Sustainability			
Indicator/ Measurement	Market Maturity	Economic Resilience	Competitiveness for Investment
Quantitative	(A) The level of rental values and growth	(A) The level of rental values and growth (B) The level of investment risk	(A) The level of rental values and growth
Qualitative	(C) The level of involvement of institutional investors in regeneration areas	(E) The effectiveness of local governance (F) The effectiveness of local authority leadership	(D) The perception of city image for investment and businesses (E) The effectiveness of local governance (F) The effectiveness of local authority leadership

Market Maturity

As Adair and his colleagues (2005) suggest, one of the fundamental elements to measure market maturity is evidence that shows ‘rental growth is apparent’. Jones and Watkins (1996) state the conditions for a mature market can be spelled

out as follows: 'Market values rise to a point at which the long-run price makes private sector development viable'. These attributes explain the rationale for examining the level of rental values and rental growth as the measurement factor (A). For a similar reason, rental values and rental growth are used to establish the market performance of an investment in property. As attracting investment in property remains an important vehicle for securing private sector involvement (Adair et al., 2005) in assessing the success of a regeneration policy highlighted by the government (Adair et al., 2002; CLG, 2012; DIT, 2016) for promoting sustainable economic development, it is sensible to include this factor in this research with the emphasis placed particularly upon the involvement of institutional investors. New investment may bring more businesses into the city; and this therefore requires more space available and ensures that new space constructed or refurbished is fit for purpose.

A mature property market should have capacity to bounce back after the recession of the property cycle. The reason for incorporating the measurement factor (C) The level of involvement of institutional investors in regeneration areas, is based on the following assumption that one of the critical performance indicators for the mature property market would be long-term involvement of institutional investors (Jones and Watkins, 1996). It has been the desire of successive governments to increase institutional involvement and attract private finance to regeneration areas. The involvement of institutional investors is deemed to be important in a mature market. Due to insufficient information concerning measurement (C), this element is difficult to be quantified but assessed through interviewing the key market actors who provide qualitative insights on the performance of the office market in Manchester.

Economic Resilience

The contribution of the property market as a whole is significant to the regional and national economy. Economic resilience is tested within an institutional context of markets. Property acts as an elementary vehicle in regeneration policies, which directly and indirectly influence property markets. As a result, the development and performance of a property market would be one of the key attributors to economic resilience. Property markets have a sizeable impact on the soundness of financial institutions and on macroeconomic activity (Zhu, 2005), which influences the level of economic resilience regionally, nationally and globally.

One of the characteristics for economic resilience is to have capacity to bounce back after the recession of the business cycle (Jones and Watkins, 1996) and the market could adjust flexibly in both the short-term and long-run (Keogh and D'Arcy, 1994), which is reflected by the market performance, primarily, the level of rental values and rental growth as well as the extent of investment risk. This rationale lays down the base for the measurement factors (A) The level of rental values and growth and

(B) The level of investment risk, which are used widely by the market commentators and real estate economists, such as CBRE, JLL and CoStar, to analyse the market performance of the property market. It is important to note that particularly for regeneration schemes, the level of investment in property remains an important vehicle for attracting private sector investment (Adair et al., 2002; Adair et al., 2005; Rousseau, 2009) as one popular policy means to promote sustainable economic growth (DIT, 2016).

As elaborated in section 2.4.1 of the literature review chapter, another essential factor to foster a mature and resilient market is the role of institutional investors because ‘one of the critical performance indicators for the mature property market would be long-term involvement of institutional investors (Jones and Watkins, 1996)’. Additionally, the UK governments have made a great effort to increase institutional involvement and attract private finance to regeneration areas (Adair et al., 2002; Adair et al., 2005) but they seem to struggle to achieve this due to the fact that the key criteria in the decision-making process of institutional investors to determine allocations across the respective asset classes are performance-based measures of expected return and risk (Hoesli et al., 2004), preferably within the prime property market (Adair et al., 2002; Adair et al., 2005). One of the crucial ingredients in constructing regional and city advantage relies on enhancing resilience with a need for intelligent institutional leadership with a heightened sensitivity and/or preparedness for rapid and pervasive changes (Pike et al., 2010), which justifies the reasoning of including the measurement factors (E) The effectiveness of local governance and (F) The effectiveness of local authority leadership for assessing the level of economic resilience. Regional economic resilience has close relevance to the region’s economic governance arrangements, which will shape the resistance and response of a region’s economy to, and its recovery from, a shock (Martin, R., 2011).

Competitiveness for investment

D’Arcy and Keogh (1997; 1999) define urban competitiveness to refer to the ability of a city to exploit or create comparative advantage, and thereby to generate high and sustainable economic growth relative to its competitors. They

proclaim that the property market will influence urban competitiveness directly through the provision of suitable accommodation for economic activity and indirectly through its cumulative contribution to the built environment as land and property are commonly regarded as part of a set of hard assets that drive the economic competitiveness in the urban areas (Begg, 1999). Additionally, this concept was adopted by the government, for example, in the NPPF published in 2012 which stated, 'the purpose of planning is to help achieve sustainable development by building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation' (CLG, 2012).

D'Arcy and Keogh (1999) conclude that the property market will affect urban competitiveness directly and subsequently will have an impact on the sustainability of its economic growth. Singhal and his colleagues (2009) point out that the regeneration policies adopted some business strategies to pursue sustainability including providing leadership for revitalisation (Austin, 1998, quoted in Singhal et al., 2009), and facilitating the competitiveness of a city by enhancing its enterprising nature (Williams, 2003, quoted in Singhal et al., 2009) for attracting investment and businesses. They conclude that effective governance by public authorities including delivery mechanisms, leadership and proactive decision-making as well as partnership development is essential for achieving regeneration success. Consequently, it seems to be necessary to look for evidence through the level of market performance measured through factor (A) as well as the desirable city image for business and investment branded and enhanced by the effective and efficient political leadership and city governance measured by factors (D) The perception of city image for investment and

businesses, (E) The effectiveness of local governance, and (F) The effectiveness of local authority leadership.

4.4 Quantitative Method

As discussed previously, the aim of constructing a property index is to investigate the historical changes of market performance by collecting the annual rental values of eligible office buildings derived from the real transactions both of sales and letting since the 1970s in the city centre of Manchester.

4.4.1 The Research Areas and Time Period

The area of collecting property information in Manchester is defined according to several of the Council's plans, namely 'Manchester's Local Development Framework'. It states, Manchester City Centre is defined as the area inside the Inner Relief Route and extends to the south to encompass the Oxford Road Corridor (see Figure 4, the area marked green). The City Centre also extends to Chapel Street, within the administrative boundary of Salford City Council, (and the two city councils continue to work together building a strong shared strategy for city centre regeneration). The City Centre has several distinct areas including the CBD, the Retail Core and areas of individual character such as China Town and The Village.

4.4.2 Index Analysis

Within the settings of a case-study approach, a quantitative method is used to construct two sets of the property index which consist of the rental values of the regeneration properties and mainstream properties in Manchester city centre respectively during the period from 1984 to 2017. The quantitative analysis of the property market is based on sales and letting transactions through various databases, but mainly the CoStar property database. This approach aims to evaluate the performance of the regeneration property market against the performance of the mainstream property market in Manchester to verify whether the property market in regeneration areas has reached its market maturity as well as the level of growth in comparison to the rest of the mainstream market in the city centre, which reflects the extent of economic resilience and competitiveness for attracting investment into these areas.

Collecting Office Market Data

The types of market data collected are the sale and letting transactions of offices. Two major reasons for this decision are first of all, the office developments seem to be one of the most targeted markets for regeneration schemes (Jones, 2013); secondly, compared to other sub-markets, the data of the office market seems to be the most available and complete in number with the greatest information. There are three sets of data to be collected by using several property indices and databases including primarily CoStar, Investment Property Databank (IPD, now called MSCI), EGi, CBRE Indices and the ONS. As explained above, this research mainly focuses on the office market. The first database set (Data A) contains the required figures of the regeneration office buildings identified in the

surveys within the designated areas in Manchester; the second database set (Data B) constitutes the figures of the mainstream office buildings over the same period in the designated areas of Manchester. Then finally, the third set (Data C) contains the national figures of all office buildings in accordance with the same conditions.

This research relies heavily on the information provided by CoStar, which obtains the details and changes of over 400,000 commercial property buildings covering from space becoming available to it being let or sold, tenants moving in, leases expiring and so on. Geurts and his colleagues (2015) concluded,

CoStar Group is the largest research organization serving commercial real estate. Its database contains information on commercial properties, tenants and transactions, and maintains historical information to support analysis of markets and properties over time.

Figure 5. The area defined in planning document



The criteria of categorizing regeneration and non-regeneration properties are based on the designated regeneration plots (marked in red) in the archival planning documents for Manchester city centre (see Figure 5, the research area marked in blue). According to the valuation principles for determining the value of a property, the location of the property is the most essential and primary benchmark before considering other factors. In this sense, the categories of the property index in this research are defined by the location of a property within a regeneration area or otherwise. These regeneration properties have been constructed and completed within the research timeframe.

Transaction-based rental value and CoStar databank

A mean and median method is adopted to construct a transaction-based index for this research. Some scholars (for example, Chau, K. et al., 2019) have contended that a mean or median price has an advantage over the other methods, such as hedonic price and repeat sales. As the mean or median is expressed in monetary terms, this provides 'a snapshot of the average price at a particular point in time but not just the percentage change in price levels over time' (Chau, K. et al., 2019:193). Mean/median method requires data on sale prices and dates and then takes the mean or median of the sale prices observed in each time period as the price index value. The collection of the transactions for an office sub-market in one city can increase the control over the quality issues such as property type and location so as to reduce heterogeneity (ibid.).

The data of the real transactions for 4 Star office spaces were collected from the CoStar property database including actual lettings, rent reviews and lease renewals but excluding asking prices in Manchester city centre. This research intends to observe partly the behaviour of institutional investors who demonstrate certain habit-persistent or adaptive behaviour during their decision-making process in investment (Adair et al., 2007). They tend to prefer the prime market when considering investing in the office market. According to this requirement, 5 and 4 Star office buildings classified in the CoStar databank are qualified (CoStar, 2020) since they represent the high standard of prime office buildings. However, the limitation of a much lower number of transactions of 5 Star office suggests greater imperfection due to the smaller pool of sample size and therefore these statistics were not included in the analysis of the thesis.

The CoStar Building Rating System (see Appendix 1) is a national rating for commercial buildings on a universally recognized 5 Star scale that reflects the

quality and specification of office buildings with the grading system from 5 to 1 star representing the standard from the outstanding to the poor features. The elements of an office building were segmented into five main categories: Architectural Design, Structure/Systems, Amenities/Management, Site/Landscaping/Exterior Spaces and Certifications. The characteristics of a 4 Star office building are very similar to a 5 Star building with a slightly lower quality in terms of building age. It is useful to list the definitions for both 5 Star and 4 Star office buildings (see Appendix 1).

Analysing prime rents has at least two uses: first, it provides a means of measuring the varying effects of the interaction of supply and demand; second, it gives an impression of comparative rental growth between different areas. However, one difficulty in analysing rents in an area for a certain period is that because they represent the state of the market at each reference point, the inclusion of prime rents for prime properties leads to an overstatement of the rental growth exhibited by a particular property between any two dates and ignores obsolescence (Barras and Clark, 1996; Grover and Grover, 2015). However, the possible effect of overstated rental growth for prime properties is less relevant to this research since the purpose of utilising the property index is to observe the indicative changes of the rental values that generalise the trends reflecting the market conditions and behaviours at each reference point in time rather than discussing the accuracy of valuation calculation taking into account all necessary factors such as obsolescence. The above rationale is also applicable for not using the data of property yields.

Datasets Description

The main types of offices collected for this research were based on the Rating models of CoStar. As stated in its booklet, 'CoStar Building Rating System' (accessed in 2020), the rating models consider,

The diversity of commercial buildings and the nuanced details that contribute to the experience, perception, marketability, and performance of a building dictates that a purely formulaic approach to determining ratings cannot be used as a singular solution. Quantitative analyses on variables such as the time since renovation or construction (are considered) (p. 2).

CoStar classifies all of the buildings recorded in the database into 5 different levels: 5 stars, 4 stars, 3 stars, 2 stars and 1 star. The greater number of stars indicates the higher value in terms of rental income, which can be generated from the building. The reason for collecting the rental values of office buildings rated 4 stars is because the office market in the city centre tends to be more competitive and attract businesses who look for better location and better specifications of buildings to accommodate their employees and clients. The reason of omitting 5 stars buildings is due to the limited number of transactions as explained above. The buildings with 3 stars or less normally come with some undesirable design and specifications and are situated in a less wanted location. All these factors already demonstrate some disadvantages of these buildings on the market to compete with other better-rated buildings. Another reason is that the number of buildings with 3 stars or less is very small, and would not be able to represent the

majority of market stock but could act as a distortion factor for the computing process.

There are 569 transactions which qualified under the selection criteria referring to 4 stars office buildings, which have been collected to comprise the data set (Data A) of the regeneration office in Manchester. Data B includes the average rental values of the mainstream properties in central Manchester as the benchmark for Data A of regeneration properties. By comparing to the benchmark for its investment performance, the rental values of Data A are examined to ascertain the level of the 'increased values' in regeneration properties to assess whether the regeneration properties have showed signs of sustainable growth over time. Then both Data A and B are compared to the national benchmark of the office market (Data C).

The research aims to cross-examine the statistics of Data Sets A, B and C to observe any statistical trends and changes for possible evidence of being resilient to economic and business cycles in certain years, for example, 1987, 1997 and 2007, categorised under the property types such as retail, offices and city centre apartments. The rental values of the properties are the crucial statistics the property fund managers and investment analysts will look into and use to make investment decisions accordingly. However, even if the analyses show that the property markets in the regeneration areas outperform the prime markets, it does not mean that the property fund managers would be automatically convinced to invest in the regeneration areas (Adair et al., 2003; Haran et al., 2011).

Index numbers and time-series data

The concept of index numbers is explained as follows. The Index method employed in this research comprises time-series data that presents information that depicts how a variable, for example, in this research, rental values, changes over time. Time-series analysis seeks to discover the patterns underlying the series, which can capture fluctuations reflecting the variable effects of time on statistical series. The basic approach of time-series analysis used here is to compare values with different periods and markets to identify trends (Horn, 1993:58).

This method has the advantage of giving the precise figures and is therefore a useful reference if one wishes to test any theory to see if it predicts accurately. Time-series data can be shown graphically, and it gives an obvious picture of how the figures have moved over time and whether the changes are getting bigger, meaning the curve is getting steeper, or smaller, meaning the curve is getting shallower. Additionally, it provides a reading on what the likely figure would be for some point between two observations. Furthermore, it is possible to combine multiple sets of time-series data on one graph to show their relative movements over time and compare their performance accordingly.

Time-series data are often expressed in terms of index numbers. One year is selected as the base year and this is given the value of 100. The use of index numbers allows us to see clearly any upward and downward movements and to make an easy comparison of one year with another. Index numbers are a useful way to present a series so that it is easy to see how it has changed over time, and they facilitate comparisons of series with different units of measurement (Brooks and Tsolacos, 2010:21-24). They are widely used in economics, real estate and finance. Index numbers also make comparisons of the rates of change

between series easier to comprehend. The simplest way to do this is to construct a set of price relatives. This is usually achieved by establishing a base period, for which the index is given a notional value of 100, and then the other values of the index are defined relative to this and are calculated by the formula:

$$I_t = \frac{P_t}{P_0} \times 100$$

An arguably more important use of index numbers is to present the change over time in the values of groups of series together. This would be termed an aggregate or composite index number, for example, a stock market index, an index of consumer prices or a real estate market index. In all three cases, the values of a number of series are combined or weighted at each point in time and an index formed based on the aggregate measure. Three commonly used methods of the weighting scheme employed to combine the component series are listed as follows:

- Equal weighting of the components;
- Base period weighting by quantity, also known as Laspeyres weighting;
and
- Current period weighting by quantity, also known as Paasche weighting.

Equal weighting evidently has simplicity and ease of interpretation on its side; it may be inappropriate, however, if some components of the series are viewed as more important than others. In this research, only a single variable is required, the office rental values; therefore, there is no issue to weight different

components in accordance to the level of their importance. As a result, the equal weighted index is employed.

Analyzing Property Database

Healey (2012) uses 'the Wheel of Science' to explain the journey through the scientific process of research. This is a continuous cycle which could start from any of these four phases namely: Theory → Hypotheses → Observations → Empirical generalization → Theory and so on. It is the phase of observations when we require statistics as data to be collected. One will need to organize and analyze this information and statistics will become very valuable because they will supply us with many ideas about 'what to do' with the data.

Through the process of statistical analysis, the author will focus on assessing the theory and also look for other trends in the data. As Healey (2012) suggested, 'As we probed the data, we might begin to develop some generalizations based on the empirical patterns we observe'. Statistics are deemed to be tools used to manipulate data and answer research questions. In this research, a statistical technique called 'descriptive statistics' is employed to make sense of the data constructed in the property index mentioned.

Descriptive statistics could help us understand the relationship between two or more variables, which are called 'measures of association' for quantifying the strength and direction of a relationship. These can be used to examine two important elements to any science: causation and prediction. Healey (2012) explains further, 'Measures of association (descriptive statistics) help us disentangle the connections between variables and trace the ways in which some variables might affect others'. Not only that, they could be used to predict scores on one variable from scores on another. One crucial reminder is that measures

of association only provide us clues about causation but cannot prove two variables are causally related.

In order to assess the development of the Manchester City market, the primary goal is to evaluate the market performance by comparing the rental values and rental growth of the regeneration office market with the figures derived from a mature segment of the Manchester office market (Jones and Watkins, 1996). There are three data sets that need to be established including Data set (A) for regeneration office buildings in Manchester, Data set (B) for non-regeneration office buildings in Manchester, then Data set (C) of aggregative figures for office sector in the UK. Data sets (A) and (B) are derived from the information of individual buildings in Manchester from the CoStar property database. Data set (C) is based on other sources including the CBRE Regional Office Rent Index and the IPD rental growth. Table 7 displays these primary factors in the office market to be compared in terms of performance within the three sets of data. For a comparative performance analysis of regeneration property with overall property, the data of the key factors listed were collected under three categories including regeneration office market (MAN), non-regeneration office market (MAN) and non-regeneration UK office market by using the IPD all property (Direct property) and IPD office (Direct property sub-sectors).

Table 7. Comparable factors for property index

Comparable Factors	Regeneration (MAN)	Non-regeneration (MAN)	Non-regeneration (UK)
(A) Rental values	✓	✓	✓
(B) Rental growth	✓	✓	✓

Excel software was used to organize and compute all the statistical data collected. As mentioned above, 215 office transactions were recorded for regeneration properties. The main focus is to derive the periodical percentage changes in the above variables to observe the trends and patterns against the three measuring indicators as listed in Table 8. The effect of inflation has been taken into account to present the figures of rental values by deploying a price deflator series to deflate the nominal office rental values to obtain 'real' rental values in inflation-adjusted terms over the designated period from 1967 to 2017.

Table 8. Measurements and quantitative method

Market Sustainability			
Indicator/ Measurement	Market Maturity	Economic Resilience	Competitiveness For Investment
Quantitative	(A) The level of rental values and growth	(A) The level of rental values and growth (B) The level of investment risk	(A) The level of rental values and growth

4.5 Qualitative Method

4.5.1 Semi-Structured Interviews

In order to explore the second sub-research question, asking how local regeneration policy approaches have helped to achieve economic sustainability through their interaction with private sector investors, semi-structured interviews

have been conducted since 'interviews yield rich insights into people's experiences, opinions, aspirations, attitudes and feelings' (May, 1997:109). Through the semi-structured interview, this type of qualitative information is acquired by asking specific questions but probing 'beyond the answers' (ibid:111). The rationale of using this method is explained as follows. There are several reasons to conduct semi-structured interviews: first, the necessity of investigating the rationale of institutional investors concerning the decision-making process; second, the views on how successfully Manchester has re-branded its city image; third, the interpretation of 'effective' political leadership of the MCC; fourth, the critiques of city governance in regeneration partnerships. The previous discussion on the 'institutional analysis' of the market process explores, for example, the behaviour of market players, particularly in respect of institutional investors, and the institutional context in which decisions are made and acted on (Ball et. al., 1998:106). To unlock the secret of these 'invisible' principles on the behaviour of institutional investors requires a qualitative approach, which complements and answers the questions which the quantitative method cannot. This constitutes carrying out interviews with prospective institutional investors and key representatives from the city Council to explore the long-term investment possibility in regeneration properties and their roles to encourage the long-term investment activities in regeneration properties through regeneration initiatives in Manchester. The main themes of the interview questions primarily focus on investigating possible barriers for property fund managers holding properties in regeneration areas as part of their investment portfolios/assets, even though these premises might have demonstrated positive market performance; and exploring whether regeneration policies have increased

the attractiveness of regeneration property markets from institutional investors both for the development funding and for long-term investment holding in the context of national and global competitiveness; finally, discussing the implications of market sustainability in the property sector to promote economic sustainable development.

Another set of interviews was undertaken with real estate and planning consultants about the popularity of these regeneration properties both in the letting and sale markets for investors who acknowledge the investability of these premises as investment options. This information supplements the statistical analyses with its in-depth insights that cannot be gained through the statistical analyses. A separate set of the interview questions is designed to examine the dimension of city image, leadership and city governance; these share similar issues and notions regarding how these elements shape and affect the decision-making process to formulate, promote and implement regeneration policies in Manchester.

All the setting of the interviews was face-to-face with semi-structured questions. The positive aspects of a face-to-face method include its high validity and the fact that it can be cross-referenced to other data, which is particularly important to this research due to its multiple-source nature of data collection. Of course, there are limitations on this method, such as its time-consuming nature and the fact that only a restricted number of questions can be asked, which requires a careful research design to balance all the factors (Gillham, 2005:44).

One of the strengths of the semi-structured interview is that it facilitates a strong element of discovery, understanding, reflection and explanation (Tracy, 2013:132), while its structured focus allows an analysis in terms of

commonalities. Flick (2018:207) points out the attraction of this method: 'semi-structured interviews are expected to let interviewees more likely express their viewpoints in a relatively openly designed interview situation than in a standardized interview or a questionnaire'. The traits of semi-structured interview questions are regarded as relatively more suitable for the research questions of this thesis.

The type of interview form

As a part of the research design, this research includes the conduct of semi-structured interviews with open-ended questions. Interviews are regarded as the 'soft data' because all interviews vary in their content, and words are not assumed to have any specific meaning. There are assumptions, subjective variations of meaning and exploration of tacit meanings in the construction of the interview. Interviews have a flexible sequence so that any idea or claim can be explored. An interview is a mutual construction. In the interview, any attempt to change the subject, dominate the flow of topics or push further into a given subject is evidently going to be 'led' by somebody. It is a very personal, messy and interactive business. According to Silverman (2020), in a semi-structured interview one should not ask a large number of questions; but should follow up the interviewee's responses with prompts and probes. In effect, these are supplementary or subsidiary questions or modes of exploration only to be employed if necessary. These prompts reassure the speaker that the interviewer is listening, but they do not turn the conversation aside. Semi-structured interviews which provide the basic scaffolding that fills out the allotted time are set up in advance. To conduct semi-structured interviews requires some probing,

rapport with interviewees and understanding of the aims of the project. An open-ended interview needs flexibility, rapport with interviewees and active listening (Noaks and Wincup, 2004; Silverman, 2020).

4.5.2 The Groups of Interviewees

Interview Groups

Regarding developing a sampling plan, Tracy (2013:134) advised that a good practice refers to ‘purposeful sampling’ by choosing interviewees who can provide data that ‘fit the parameters of [a] project’s research questions, goals, and purposes’. The criteria for selecting interviewees are related to the interview questions based on the measurement statements mentioned above considering these questions: Who has the relevant information? Who is accessible? Who is willing to give relevant information? Who is most able to give the information? The semi-structured interviews are conducted with a variety of market actors; which conform to the type of theoretical-construct samples recruiting participants because they meet the specific theoretical characteristics or conceptual framework (Tracy, 2013:136) and the primary interview groups are as follows (also see Table 9).

1. Institutional investors: to discover their views and attitudes towards the perception of regeneration properties and actively investing in regeneration markets as well as how they think about the effectiveness of government regeneration policy to attract institutional investors into regeneration.
2. Estate agents and planning consultants: to find out the perception of property investors towards regeneration properties and how

regeneration policies influenced the property developments and market performance.

3. Manchester City Council (MCC): to interview councillors and planners for the council's role in planning, delivering and evaluating regeneration policies.
4. Members of the Greater Manchester Combined Authority (GMCA): the claimed success of the MRR is arguably considered to bring a positive impact on the economic development of other boroughs that are members of the GMCA. Their opinions on such a claim provide useful insights and feedback on the real and wider implications of MRR.
5. Property developers: one of the key market stakeholders to invest in and construct property developments, their views suggest the response of the market to the policies and assess the market performance and how the policy influences the market.

Table 9. Types of interviewees for individual measurements

Measurement	Interviewees
(C) The level of involvement of institutional investors in regeneration areas	● Institutional investors, ● Estate agents and planning consultants
(D) The perception of city image for investment and businesses	● Manchester City Council, ● Members of the Greater Manchester Combined Authority (GMCA, 2016), ● Developers,

	• Estate agents and planning consultants
(E) The effectiveness of local governance	• Manchester City Council, • Members of the Greater Manchester Combined Authority (GMCA, 2016), • Developers, • Estate agents and planning consultants
(F) The effectiveness of local authority leadership	• Manchester City Council, • Members of the Greater Manchester Combined Authority (GMCA, 2016), • Developers, • Estate agents and planning consultants

4.5.3 Number of Interviews

Interviews present one of the sensible methods in social science to gain information and understanding of social phenomena and attitudes (Hammond and Wellington, 2013:91). These interviews aim to investigate five themes resulting from the measurements identified in this research and to find out how regeneration policies affect the property market in Manchester. 22 interviews have been undertaken for this research (see Table 10). The number of interviewees for each group ranges from three to six people, with the appropriation of interview numbers justified by the findings of research (for example, Guest et al., 2006).

Table 10. Summary of interview numbers and types

Interviewees	Number of interviews
Institutional investors	6
Estate agents & Planning consultants	3
Developers	3
Manchester City Council	6
Members of the GMCA	4
Total number	22

Purposive samples are commonly used if research is field oriented in nature and not concerned with statistical generalizability, particularly in applied research (Miles and Huberman 1994:27, quoted in Guest et al., 2006). Purposive samples can be of different varieties, but the common element is that participants are selected according to predetermined criteria relevant to a particular research objective (Guest et al. 2006:61). After reviewing 24 research methods books and seven databases, Guest and his colleagues (2006) discovered that the predominant opinion suggests that the size of purposive samples be established inductively and sampling continue until 'theoretical saturation' occurs. They then argue that the problems with this approach are that theoretical saturation is often vaguely defined and, furthermore, waiting to reach saturation in the field is generally not an option. Lacking rationale for selecting an appropriate number for interview drove them to carry out another research on this issue (ibid.). The findings of this research show that if the design of interview structure, content and participant is relatively homogeneous, a sample of six interviews may have been

sufficient to enable development of meaningful themes and useful interpretations. Other scholars also shed light on this issue. Bernard (2000:178, quoted in Guest et al., 2006) observed that most ethnographic studies are based on thirty-sixty interviews, while Bertaux (1981) argued that fifteen is the smallest acceptable sample size in qualitative research. Morse (1994, quoted in Guest et al., 2006) recommended at least six participants for phenomenological studies; approximately thirty to fifty participants for ethnographies, grounded theory studies and ethnoscience studies; and one hundred to two hundred units of the item being studied in qualitative ethology.

The nature of this research requires the usage of purposive samples and in agreement with the rationale presented by Guest et al. (2006), there are six participants for each category. Five primary categories are identified based on the relevance and involvement through the property development projects in regeneration areas including the MCC, developers, institutional investors, estate agents, planning consultants and experts as well as members of the GMCA.

4.5.4 Ethical Conduct of The Interview

A consent from (see Appendix 2) the interviewee was always sought to be granted first before the conduct of each interview. In the consent form, it states that UCL operates a very strict research ethics framework, and this research has been approved by the UCL Research Ethics Committee. Any information provided has been treated responsibly and with complete confidentiality. All interview data was anonymised and was collected and stored in accordance with the Data Protection Act 1998.

Analyzing Interview Data

Thematic Analysis

All of the interviews were taped and were transcribed ready for data analysis. Inductive thematic analysis (TA) is employed in this research to interpret the interview data and is one of the methods commonly recommended for analyzing interview data (Gillham, 2005:129; Olsen, 2012:38). Given the nature of the interview data, it seems to be appropriate to also use qualitative TA to form relevant themes, which reveal the attitudes of the interviewees and the phenomenon they observed regarding the five sub-topics on regeneration policy and the property market. There are many forms of analysis that may be applied to the human production of messages. Qualitative content analysis essentially relies on identifying thematic patterns in a text (i.e. message or set of messages), which is referred as the TA in this research. The themes are not imposed upon the text from outside, e.g. via a theoretically informed coding mechanism or past studies, or *a priori*, but they 'emerge' as the researcher undertakes a close reading of a text. The process of inductive TA mainly involves identifying and coding emergent themes within interview data (Mann, 2016:46).

The two main reasons to use the TA are its accessibility and flexibility (Braun and Clarke, 2012:58). This is a particular strength to attract people new to qualitative research because TA provides an entry into a way of doing research and offers a way into qualitative research that teaches the mechanics of coding and analyzing qualitative data systematically, which can then be linked to broader theoretical or conceptual issues. Braun and Clarke (2012) regarded TA as a mere method of data analysis, rather than being an approach to conducting qualitative research and considered that this is a strength because it ensures the accessibility and flexibility of the approach. They (2012:57) defined the TA as, 'a method for systematically identifying, organizing, and offering insight into patterns

of meaning (themes) across a data set'. One of the most important features of TA is that it focuses on finding what is common to the way a topic is talked or written about and looks for meaningful patterns related to the research topics and then answers the research question.

Together with Gillham's and other academics' experiences (Fereday, 2006; Joffe, 2012; Tuckett, 2005) in using the TA as a tool to analyzing the data, this research adopts the six phases of undertaking the TA summarised by Braun and Clarke (2014):

1. Familiarisation with the data by reading and re-reading the data until one becomes intimately familiar with the content.
2. Generating initial codes (coding) involves generating pithy labels for important features of the data relevant to the research question.
3. Searching for themes is like coding the codes to identify similarity in the data. A theme is a coherent and meaningful pattern in the data relevant to the research question. One needs to discover the patterns in the data to construct the themes.
4. Reviewing potential themes to check that the themes work in relation to both the coded extracts and the full data-set. One should reflect on whether these themes tell a compelling and convincing narrative about the data linking back to the research question. By defining the nature of each theme, one also needs to explore the relationship between the themes. Collapsing two themes together or discarding weak-relevant themes may be necessary.

5. Defining and naming themes involves writing a detailed analysis of each theme by asking oneself these questions: 'What narrative does this theme tell?' and 'How does this theme fit into the overall narrative about the data?' and then identifying the essence of each theme and constructing a concise and informative name for each theme.
6. Writing up the report is an integral element of the TA process. It requires producing the analytic narrative and evocative data extracts to provide readers with a coherent and persuasive story about the data responding to the research question within the context of existing literature.

Guide for Coding Manual

Following the guidance of an overall coding scheme suggested by Silver and Lewins (2007) summarized in Saldana's book (2021), *'The coding manual for qualitative researchers'*, a guide for coding manual is generated to analyse the interview data for the Thematic Analysis. Table 10 illustrates under each indicator which measurement factors are assessed in the analysis of qualitative data referring to the semi-structured interviews in this research through the coding process. Fereday and Muir-Cochrane (2006:4) dismantled the process of coding in qualitative research involving 'recognizing the moment or the thing to encrypt' before moving on to the step of interpretation, and then organizing the data encoded to 'identify and develop themes from them' (ibid.). They contended that a good code should be able to capture 'the qualitative richness of the phenomenon' (ibid.). Tuckett (2005:77) understood the process of coding as engaging in 'logical data organisation'. Braun and Clarke (2006) suggested that the starting point of defining a specific code is to generate initial codes by

searching for ‘interesting features of data systematically across the entire data set, collating data relevant to each code’ (ibid.). In this research, as discussed in the previous section, the author follows the primary six stages of the TA procedure outlined in the study of Braun and Clarke (2014) with a predesigned coding manual comprising measurement factors, themes, sub-themes and codes grouped under three identified indicators (see Tables 11, 12, 13) rather than using a thematic map. It is expected that new themes could emerge beyond this coding manual and they are to be incorporated.

Table 11. Indicator 1 – Market Maturity

Indicator 1	Market Maturity
Measure C	(C) The level of involvement of institutional investors in regeneration areas
Sub-category 1-C-1	Past, current experience or no experience in investing in regeneration properties
Code A	Past experience
Code B	Current experience
Code C	No experience
Sub-category 1-C-2	Willing to invest in the future
Code A	Not an option
Code B	A likely option
Code C	A definite option
Sub-category 1-C-3	Views on policies to attract institutional investors

Code A	Complete mismatch
Code B	No impact or little impact
Code C	Negative impact
Code D	Positive impact
Sub-category 1-C-4	Perception on risks concerning regeneration funding and investment
Code A	The level of investment risk in regeneration property markets
Code B	The level of risks associated with financing regeneration development (the 'risk element')

Table 12. Indicator 2 – Economic resilience

Indicator 2	Economic Resilience
Measure E	(E) The effectiveness of local governance
Sub-category 2-E-1	Public and private partnerships
Code A	Efficiency and effectiveness
Code B	Well-established partnerships with local communities
Code C	Pro-business attitude
Code D	Inclusion and equal opportunity
Code E	Evaluating the role of the MCC
Measure F	(F) The effectiveness of local political leadership
Sub-category 2-F-1	Creating a vision for Manchester
Code A	Local communities

Code B	Housing
Code C	Workspace
Code D	Tourism
Code E	Formulation process
Code F	City-image
Code G	Attitude towards economic growth
Sub-category 2-F-2	Delivering the vision via regeneration
Code A	The relationship with local communities
Code B	Manage the public opinions
Code C	Deal with opposition
Code D	Partnerships
Code E	Investment strategies
Code F	Question on gentrification
Sub-category 2-F-3	Self-assessing impact of regeneration on property market
Code A	Inwards investment pushing up the price
Code B	Job creation pushing up the demand for workspace
Code C	Economic cycles vs. Property development
Code D	Involvement of institutional investors in regeneration
Code E	The perception of risks (the 'risk element' in property development and investment risk) on regeneration finance and investment

Sub-category 2-F-4	The Effect of the MRR and Northern Powerhouse
Code A	Spill effect on other members of GMCA
Code B	New mayor of Greater Manchester (GM)
Code C	Relationship with central government
Code D	Localism – political power & influence
Code E	Competing for funding and resources

Table 13. Indicator 3 – Competitiveness for Investment

Indicator 3	Competitiveness for Investment
Measure D	(D) The perception of city image for investment and businesses
Sub-category 3-D-1	City Image of Manchester comparing to other regional cities
Code A	Appealing for businesses
Code B	Appealing for investors
Code C	Attracting people to live & work
Code D	Attracting people to visit
Measure E	(E) The effectiveness of local governance
Sub-category 3-E-1	Public and private partnerships
Code A	Work efficiently to compete for investment
Code B	Pro-business attitude

Measure F	(F) The effectiveness of local authority leadership
Sub-category 3-F-1	Competing for resources from central government
Code A	Strong leadership to compete with other Local Authorities
Code B	Leadership styles
Code C	Strategy & approach for funding
Code D	Attitude towards economic growth
Sub-category 3-F-2	Competing for private investment
Code A	Pro-business attitude
Code B	Out-reach potential investors
Code C	City-image
Code D	Infrastructure
Code E	The impact of Greater Manchester Combined Authority
Code F	Perception on investment risk in regeneration property markets
Code G	Perception on the 'risk element' (political/planning, development, and financial risks) for regeneration funding
Sub-category 3-F-3	Job creation and fostering new industries
Code A	Investment in education
Code B	Entrepreneurships

4.6 The Analytical Strategies and Limitations

In this section, some tactics are explained regarding how to interpret the analytical outcomes of the property index and interview data as well as the limitations for each method employed in this thesis; and most importantly, how this empirical evidence collected and analysed in this research has explicated the complex interrelation between regeneration policy, planning system and the property market in the context of pursuing sustainable economic development. The eventual mission of this research is to explore and dig out the likely answers for these essential questions.

4.6.1 Interpreting Quantitative Data

Property Index Analysis

The outcome of computing all the market factors provides a good understanding on the market performance for each aspect included in the measurement statements for each indicator; the results derived from statistical analyses are set to conclude the first sub-research question. For example, the indicator of market maturity may obtain three positive conclusions of all four quantitative measurements, which could be interpreted as an overall positive acknowledgment in achieving the level of market maturity. But it is worth pointing out that this approach could not indicate the scale of the market maturity that has been achieved or improved. The similar principles are applied to the other indicators.

The limitations of constructed property database and indices

Apart from the data limitations mentioned above, the author acknowledges that there was a range of uncertainty attached to the out-turn figures which were at best variables of the size and patterns within the property market rather than

representing a definitive picture. Additionally, other scholars note several limitations of transaction-based index. For example, Gatzlaff and Haurin (1997, quoted in Wilhelmsson, 2009:121) observed that ‘transactions, and especially multiple transactions, may have non-random statistical properties, which will bias the estimate of the index’. Another limitation on the transaction-based index relates to the difficulty in controlling the quality of the index since transacted properties are not homogenous (Chau et al., 2019:193).

4.6.2 Interpreting Qualitative Data

As explained in the previous part, the qualitative data of interviews intends to shed a light on the findings of the second sub-research question. Through the process of carrying out the literature review and conceptualizing a research framework on the research question for market sustainability, several broad ‘themes’ here called ‘indicators’ were identified and used as a blueprint to outline the measurement statements and subsequently form the backbone of the interview questions (see Appendix 3). After completing the coding of the data, the next step is to analyse the data. Following the conceptual framework that provides general themes under each indicator, the analytical strategy in this procedure is to firstly consider whether the comments derived from the interviews are consistent and relevant or on the contrary, incongruous. Moreover, attention should be drawn to discover new ‘themes’ that are important attributes and synthesize a more rounded explanation regarding the research question together with other themes.

Limitations of interview-based qualitative research

May (2011:158) summarised the critiques of interviews that could possibly arise: firstly, the accounts of the interview data could be just inaccurate for some

reasons; secondly, there may be information omitted due to the unawareness of the interviewees even though their accounts could be accurate and genuine reflections of their experiences; finally, there is a gap of knowledge between the research's interpretation of the interview data and a full understanding of one person's experiences.

4.6.3 Integrating Data Sets

A conclusive narrative is to be put together with the quantitative summary by applying the analytical framework for market sustainability to discuss whether these findings display signs that any form of market sustainability has been established, which refers to the primary research question on how effectively regeneration policies have fostered economically sustainable property markets. To achieve this entails three-fold implications: firstly, obtaining sustainable regeneration funding from the private sector, namely institutional investors; secondly, attracting sustainable private-sector investment into regeneration markets, in the case of office market, focusing on institutional investors; thirdly, the role of planning system in regeneration policy influencing the dynamics of property markets. Since Institutional investors overlap the first two dimensions for establishing sustainable regeneration markets, it is logical to assess their attitude towards funding regeneration developments and investing in regeneration markets which evolves over the research time period (between 1967 and 2017) by 'using and integrating the quantitative and qualitative databases' (Creswell and Clark, 2018:60). Additionally, it is useful to know how the role of the planning system has shaped the economic performance of regeneration development and investment. Consequently, a conclusive narrative can be derived by bringing

together 'the results of the quantitative and the qualitative data analysis so they can be compared or combined', which is called as 'the convergent design of a mixed method by Creswell and Clark (2018:65).

Limitations of mixed-method

There are some weaknesses of mixed-method research. First, there is not always the case that the role of qualitative research can be auxiliary to quantitative research. Additionally, there is a concern that since these two paradigms study different phenomena, they cannot be combined for cross-validation or triangulation purposes (Sarantakos, 2013:56).

4.7 Conclusion

This chapter described the mixed-method underpinning the research design of this thesis. The discussions detailed the rationale of the construction of the property index and the utilization of the interview technique, which are informed by the conceptual framework of market sustainability. The identification of codes and measurements offers an analytical structure for the indicators - market maturity, economic resilience, and competitiveness for investment - derived from the body of the literature review. Additionally, this chapter explained not only the focus of the quantitative method to collect and analyse the required data relating to the Code (A) the level of rental value and growth and (B) the level of investment risk but also the information obtained through the qualitative method associated with these Codes: (C) the level of involvement of institutional investors in regeneration areas, (D) the perception of city image for investment and businesses, (E) the effectiveness of local governance and (F) the effectiveness of local political leadership. It discussed the analytical strategies to interpret

quantitative and qualitative data and integrate these two data sets as well as the limitations for each approach.

After considering the detailed explanation of the strategies and approaches associated with the methodology for this research, the next chapter presents a brief history of economic development and regeneration schemes in Manchester since the 1970s to the contemporary time.

Part Two: The Empirical Data

Chapter 5. Regeneration and office market in Manchester

‘Planning is the messy business of anticipating the future and attempting to shape it for the good of society – one of the most basic of human aspirations.’ (Ellis & Henderson, 2014:6)

‘This is Manchester. We do things differently here.’ (Anthony H. Wilson)

5.1 Introduction

The intention of this chapter is to explore and explain: firstly, the chronological evolution of regeneration strategies proposed and implemented by the MCC in order to tackle and respond to economic and political challenges that the city has been facing; secondly, the interplay between Council’s regeneration strategies and property market environments in terms of achieving market sustainability over the last decades since the 1960s. A brief explanation on the state-market relations between the urban policy at the local government level and office market development details the observation of the chronological activities, movements regarding the regeneration strategies of the MCC, and in particular the office market in Manchester since the late 1960s. In order to understand the implications of regeneration policies on the evolution of a sustainable office market, it will be insightful to follow the chronological changes on the stage of market maturity, the extent of economic resilience shaped by various property cycles and the degree of city competitiveness for inward investment.

The following section will investigate answers for this question: through evaluating the Council’s regeneration strategies, how have they influenced the

dynamics of the office market in Manchester city centre with particular attention paid to the City Council's responses to the property market when recessions brought challenges during property cycle downturns and the boom times introduced opportunities during the cyclical peak? The structure of this chapter starts from the brief history of Manchester in section 5.2; then it explains central-local government relations and the leadership of the MCC in section 5.3; section 5.4 examines the planning documents on development plans and regeneration strategies; it is followed by the brief account of Manchester office market development in section 5.5; section 5.6 summarises the interplay between local political vision and market development; section 5.7 discusses the participation of political leaders in the market dynamics; it finishes with the concluding section.

5.2 A Shrinking City Bounced Back

Manchester, just like other industrial cities, was badly affected by the collapse and demise of the cotton industry in the early twentieth century. After the Second World War, national fiscal constraint postponed the process of rebuilding the war-damaged sites in the city centre (Kidd and Wyke, 2016). The extent of this city's devastation has been described by Cunliffe (1962, quoted in Kidd and Wyke, 2016), a professor of American History and Institutions at the University of Manchester,

It [Manchester] is the ugliness of poverty and misplaced wealth, of darkness and dampness and dirt, of slimy streets, pollution, bad air, decay, monotony, mediocrity...The city-centre has almost nothing to recommend it.

His comment may sound harsh and has been opposed by many others, such as Lady Simon of Wythenshawe who was a member of the MCC from 1924 to 1933 or Robert Thomas, the Labour Lord Mayor of Manchester in 1962; but it reflects the severe challenges the city faced at that time.

After the First World War, the industrial driving force behind the growth of Manchester went into a downfall process (Ortiz-Moya, 2015:33) that prompted a constant population dispersal. As Ortiz-Moya (2015) pointed out, between the censuses of the highest point in 1931 and its lowest point in 2001, Manchester lost 50% of its population and saw its economy and labour market worsen, becoming a shrinking city. However, after 70 years of constant decline, the fate of Manchester changed with the new 2011 Census on the population which revealed that Manchester had become the third fastest growing city in England and Wales. These statistics show that the population of Manchester demonstrated an increase of 19%, which was 11.9% more than the average of England and Wales. This remarkable figure implies that between 1991 and 2001, Manchester attracted more inhabitants than any other metropolitan area outside London (ibid:33).

According to the Global Liveability Index report (the Economist Intelligence Unit, 2022), Manchester ranked 28th on the list ahead of London, at 33rd in 2022 (Time Out, 2022). Manchester had a population of 544,870 in 2021 (ONS, 2021). Manchester itself is located within one of the UK's largest metropolitan areas. The metropolitan county of Greater Manchester (GM) includes the cities of Manchester and Salford together with the adjoining metropolitan boroughs of Stockport, Tameside and Trafford to the south and Bolton, Bury, Oldham,

Rochdale and Wigan to the north. The population of GM has now reached a figure of 2,798,800 (ONS, 2018). The wider Manchester City Region is seen as an engine of economic growth (Manchester Independent Economic Review, 2008a; 2008b). For example, during the time of the report published in 2008, the Manchester City Region was the main driver of the Northwest economy, producing almost 90 percent of the net increase in the Northwest's population and obtaining 48% of the net increase in the Northwest's employment.

A visionary statement is often included in the planning document prepared by the city council to outline the imaginative city future and goals that these strategies and development plans aim to achieve and deliver. However, it is important to examine the processes between 'visions' and 'outcomes' as well as to evaluate their effectiveness and long-term benefits. For example, the vision proposed in 2008 was that by 2025 the Manchester City Region would be a 'world class city region at the heart of a thriving North' (NWRPB, 2008). Additionally, the relative success of the City Centre in Manchester over the last two decades is in stark contrast to the surrounding communities, for example, some 27 of its 33 wards are among the most deprived 10% nationally (Lambert Smith Hampton, 2005). This indicates that the effect of this 'thriving' economy and growth observed in the city centre, which has been attributed partly by the consistent success of regeneration schemes in drawing public funding and private investment (Harding et al., 2010:984), has not been evenly distributed or demonstrated the 'spill-over effect' as expected. This phenomenon of the 'heightened socio-spatial inequality' has been observed by many scholars (see, for example, Deas et al., 2021; Harding et al., 2010; Hodson et al., 2020). It is important to understand how this vision for Manchester as a regional centre in the North has been formulated and

has evolved over time, particularly, through its regeneration model. Moreover, it is interesting to observe the interactional behaviour between policy and the real estate market. Here the primary focus is on the office market. The following section elaborates on how the central-local government relations and the leadership of the MCC have shaped the formulation of the vision for Manchester documented in the city's regeneration strategies.

5.3 Central-local Government Relations and Manchester Regeneration Regime

5.3.1 National Policies and Manchester' Regeneration Strategies

Many scholars such as Couch and colleagues (2011) and Jones and Evans (2013), have observed the chronological evolution of urban regeneration policy in England from the late 1970s and identified several distinguishing periods of urban regeneration policy closely coinciding with the same periods of government. Examining the key regeneration initiatives is helpful to shed light on the relation between the central governments and the MCC at the local government level over time. Since 1969, UK governments have continuously initiated regeneration schemes underlining divergent themes staged over time, the first stage highlighting 'area-based welfare projects', the shifting focus of Thatcher's government to the 'market-led entrepreneurial model', then the attention was drawn to neighbourhood and community participation advocated by New Labour's government (Ortiz-Moya, 2015:34), finally, the localist regeneration policy of the Tory government (Deas, 2013:66).

1979-1990

After winning the 1979 election, in order to tackle extreme problems of urban dereliction, the Conservative Government favoured the property-led approach to urban regeneration emphasizing the partnership between central government intervention and the private sector by marginalising local authorities in the process. This approach was characterized by an 'entrepreneurial' ethos with neo-liberal philosophies in favour of the PPPs, privatization, deregulation, liberalisation and centralization (Tallon, 2010:43).

For instance, the introduction of Urban Development Corporations (UDCs) came to symbolise the core elements of Conservative policy on the inner cities (Deas et al., 2000). UDCs were criticized by the Chair of Merseyside County Council describing the Corporations as faceless quangos 'without a vestige of public accountability' (Thornley, 1991:169) which undermined the power of local authorities in decision-making on policy to reflect local needs. However, this research does not try to add to existing literature on evaluating the outcomes of UDCs but rather is in a hope of establishing the central-local government relations in terms of regeneration initiatives.

At the time of the late 1980s for the introduction of UDCs, relations between the Conservative central government and the MCC lacked a sense of trust and confidence since the central government regarded Manchester as one of the cities that 'were insufficiently entrepreneurial, perennially wedded to an outmoded preoccupation with social equity, and lacking the commercial adroitness required to foster links with the private sector or to regenerate stagnant land and property markets within their territories' (Deas et al., 2000) because of the strength of the city's Labour electoral base.

However, the central government decided to maintain a good relationship with the Labour-dominated city council in Manchester in the beginning of establishing the Central Manchester Development Corporation (CMDC) because of fears that if the Corporation did not obtain the support of the MCC, this initiative would eventually fail just like others. Coincidentally, the politicians of the City Council began to embrace the 'new realism' by not abandoning the traditional agenda of municipal Labourism but increasingly involving the private sector in local economic regeneration projects and being willing to listen to the voice of businesses. The same approach and attitude was employed by the Council's politicians for the bids to host the Olympic Games of 1992 and 1996 with the core strategy of place-marketing (Quiley, 2000:606).

This trend was triggered by the fact that the abolishment of Greater Manchester County Council (GMCC) in 1986 made pragmatic and Labour-dominant Manchester City councillors and officers believe that aligning with the private sector was the solution to get things built by, 'giving private developers planning permission to put up whatever was most profitable' because they required political accommodations with private business (Folkman et al., 2016:11-12). According to Lijphart (1975), political accommodation involved settling divisive issues and conflicts and thus increasing community consensus that addresses 'the needs and aspirations of such a community' (Lluch, 2014:2).

The establishment of CMDC was to sustain the existing growth in financial and producer services that were seen as essential to Manchester's hesitant revival in the late 1980s (Peck and Emmerich, 1992) and extending the functional reach of the city centre beyond the southern and eastern fringes of the designated area that was believed to be the solution by releasing developable land and buildings,

by pump-priming major property development and by restoring developers' confidence (Deas et al., 2000). One of the justifying reasons for the state intervention was the problem of fragmented ownership that undermined the scope for development. Another likely reason was that the central government felt that relations between the city council and the private sector were less than harmonious and that this in itself justified the introduction of a single-purpose regeneration agency (ibid.). Thus one of CMDC's objectives was to overcome the shortage of office space of the required scale or quality, even though the Council (Manchester City Council, 1995) claimed that by 1988 at the time of CMDC establishment, there was already evidence indicating a buoyant office market, for instance, with top-end rentals alone increasing by 80% between 1984 and 1988.

1990-1997

The 1990s witnessed a significant shift in the approach of regeneration funding, moving away from grants and quangos towards regeneration projects controlled by local councils through the PPPs (Jones and Evans, 2013:74). Conservative Government under the leadership of John Major intended to simplify and decentralise the regeneration process, 'by bringing back local authority involvement in a new role as facilitators and introducing the notion of competitive bidding for public funding' (Couch et al., 2011). Even though some criticized that this competitive allocation of resources created winners and losers, the neoliberal agenda of competitiveness was to prevail for many years ahead.

During this period, the MCC participated in the competitive bidding process such as City Challenge after the Council leader, at that time Graham Stringer, experienced a hard time to persuade other left-wing Labour councillors to accept

that they were in a world of competition and to be willing to compete with other cities. One of the council officers at the City Marketing Department was interviewed by Quilley in 1994 and recalled what Stringer said at the time, 'It is the only way forward... Of course [there have to be losers] . . . but unfortunately the rest of the world does it [and] unless we jump in and compete with them we are going to lose anyway' (Quilley, 2000).

Importantly, it was noted that since the late 1980s, a new local consensus of politics gradually formulated that was to some extent exclusive from certain minority groups, bringing a new order of priorities, for instance, the policy shift away from issues relating to the most disadvantaged, democratization and welfare distribution (Quilley, 2000:606). It was claimed that Manchester enjoyed lengthy stability in local political and executive leadership based on the fact that 'effective party political opposition is minimal' (Harding et al., 2004). Also, the economic vision proposed by the Council at this time tended to be essentially centrist and appealed to the middle classes of Manchester (Quilley, 2000).

1997-2010

After 18 years of Conservative government, in 1997, the Labour party won the general election and would remain in power until 2010. 'New Labour' government tended to deal with urban regeneration issues with a more holistic approach (Couch et al., 2011) by believing in 'regional structures of partnership, policy integration of effort, and clearer leadership in the regions in economic development and in spatial planning' (Shutt et al., 2012). At the local government level, the MCC also had a new turn with a new political leader, Sir Richard Leese, in 1996 as well as a new Chief Executive, Howard Bernstein, in 1998. City centre

regeneration was mostly in the hands of private developers who were selected by the Council based on the mutual understanding and commitments to pursue 'a high-rise logic of profit'. Folkman and colleagues (2016) critiqued this movement by stating, 'they (private developers) turned square footage into cubed rental value by building high through generous planning permissions. And increasingly they did so with ambitious schemes on large sites assembled in Manchester city centre from brownfield and freehold sites sold by the City Council which was itself a major landowner'.

However, some scholars (Robson, 2016:352; Jenkins, 2015) attributed the city's success in transforming itself to the fact that Manchester was given pragmatic and astute leaders, Graham Stringer and Sir Richard Leese, and the Chief Executive Howard Bernstein. Robson (2016) proclaimed that under their leadership, Manchester was guided and reinvented by a clear vision and prioritized regeneration strategies in which the city's strengths, weaknesses and potential were thoroughly considered, together with an effective operational model to deliver them. He protested the criticism of the 'hollow-out' of state in Manchester because, 'it has been the City Council that has taken an unambiguous lead and spelled out the vision of how the city should best develop (Robson, 2016)' with assistance from other partners and government set-up quangos.

Some evidence was presented such as the many property developments in Manchester city centre which were 'facilitated by concentrated land ownership and the brilliant deal making abilities of Howard Bernstein as Chief Executive who had the leading role in the coalition around the Commonwealth Games and the rebuilding after the IRA bomb' (Folkman et al., 2016:12). For instance, the

construction of prestige and modern office buildings in large blocks outside the old CBD began around 1997. A new hub of the CBD was created in one of the designated redevelopment sites of the 1967 Plan, called 'Spinningfields'.

After the demise of Regional Development Agencies, the central government had asked local authorities to form the LEPs with business leaders with the intention of creating the right conditions for growth and enterprise (Jones and Evans, 2013:76). The GMCA also works in partnership with Greater Manchester Local Enterprise Partnership. This Greater Manchester city-region model reflects the fact that 'the so-called Manchester Model for city-regional governance has been based on developing a tradition of close collaboration amongst neighbouring local authorities, allied to a highly strategic approach to building alliances, the development of a strong if selective evidence base and an intellectual agenda inspired by agglomeration economics' (Haughton et al., 2016). The influence of effective leadership of the MCC mentioned before goes even further as Jenkins (2015) contended that the 'success' of the Greater Manchester city-region model partly resulted from the importance of political stability in the MCC with visionary leadership on the part of a cohesive grouping of local political and policy elites. In 2017, Andy Burnham was elected as the first mayor for GM.

City-region economic policy was based on agglomeration theories of urban development and the pursuit of the 'gross value added' growth and prioritized the central city, which had already benefited from rebuilding under the political accommodation since the late 1980s. The ideology of this approach comes from the belief that the success of the city centre would spill over to other disadvantaged areas in the boroughs through improved public transport and skills training. For example, GMCA published the Growth and Reform Plan of 2014 that

declared the aim of ensuring GM that became a financially self-sustaining city and a later report also stressed the aim to 'achieve the outcomes for our population and the sustainability of public finances' (GMCA, 2017).

2010 onwards

City deal and devolution

'The City Deal in 2012 brought a limited set of decision-making powers and funding agreed with central government (GMCA, 2012). This was rapidly followed in 2014 by an agreement between UK central government and the leaders of the 10 GM local authorities on a package of devolved measures, that included greater planning powers, further responsibility for local transport including franchising of buses and intermodal ticketing, housing development, skills and further education. This would be controlled by a mayor for GM (HM Treasury and GMCA, 2014), elected in May 2017. The deal was reckoned to be worth more than £1 billion, still a fraction of the £22 billion public spending attributed to GM. The logic of 'devolution' is that further powers follow this. By February 2015 agreement had been reached to devolve National Health Service (NHS) spending for the city-region to GM (Hodson et al., 2020:206).

5.3.2 Leadership of the MCC

The importance of political leadership of the MCC to the success of regeneration schemes has been widely discussed and mentioned (for example, Harding et al., 2010:984; Haughton et al., 2016:360). Judd and Parkinson (1990) introduced three primary themes to assess the role of leadership in achieving urban regeneration with the dimension of the institutional approach comprising capacity of leadership, choice of strategy and the consequences of economic

regeneration. This framework explains essential characteristics of political leadership of the MCC in regeneration by demonstrating its capacity to articulate coherent narrative and vision in the past few decades (Durose and Lowndes, 2010; Haughton et al., 2016; Peck and Tickell, 1995). The capacity of cities with the right kind of leadership would help them respond to external threats or grasp opportunities more effectively and this relies on ‘the success of local elites in projecting a coherent interpretation of a city’s “intentions” and of its economic and political environment – in other words, its “image” (Judd and Parkinson, 1990:22)’.

This ‘coherence interpretation’ or ‘vision’ would not be achieved if there is evidence of great antagonisms within a city but only ‘an elite’ or ‘a unified elite group’ is there to represent the city through either a closed political system, where opposition has little chance to arise, or a formal concentration of legal or governmental authority. The capacity of these elites to speak a coherent voice is realized through the political process that facilitates ‘bargaining, negotiation and agreement among a broad range of political and social groups’ (ibid.). As mentioned before, the phenomenon of the ‘Manchester Men’ is depicted by Peck and Tickell (1995) as that of ‘a small group or cadre of six to 10 senior city leaders and public servants who have occupied prominent positions in the city for the last 15 to 20 years, working with business leaders to develop and implement a shared vision of the entrepreneurial direction of the city (Durose and Lowndes, 2010:347)’. The way of these ‘Manchester Men,’ maybe there have been some women over these years, represents a culture of public-private networking through regeneration partnerships.

5.3.3 Manchester Regeneration Regime

Kellie (2010:110) suggested the formula for the 'Manchester Regeneration Regime' (MRR) involving (1) a clear vision and framework; (2) delivery of high-quality buildings and spaces; (3) partnership. Robson and colleagues (2002) explained that this regeneration model was characterised by the City Challenge schemes introduced in 1991 where bids for regeneration funding controlled by the central government were put together by the PPPs (Jones and Evans, 2013:74) as the primary delivery body with a semi-autonomous executive serviced by officers seconded from relevant council departments. Such bodies have a commercial focus but promote public-private partnering. The success of delivering initiatives through the regeneration model relies on short lines of decision-making, involves fast-tracking planning applications and has a high degree of community involvement (Manchester City Council, 2004).

The MRR or 'the prestige model' (see Loftman & Nevin, 1995), which could be applied to other cities adopting similar strategies, characterizes the ideology of privatism, emphasises the primacy of the private sector in reviving the fortunes of depressed urban areas and the secondary role of the public sector in creating the 'right' conditions for private sector wealth creation (Barnekov et al., 1989; Loftman and Nevin, 1992). This model uses prestige projects as forceful place-marketing tools, which may also be linked to high-profile events such as Manchester's bids for the Olympic Games. As Smyth (1994:21) noted: 'In essence, the flagship is acting as a large advertising hoarding for the area, the implied message being that this is the place for others to spend or to invest'. These prestige projects helped create a lot of residential and commercial developments including spaces for office use; over time, the cumulative amount

of office stock could be substantial and formulate an established property market as the attraction of inward investment.

Moreover, prestige projects facilitate the physical restructuring of urban areas through introducing and promoting new land uses and infrastructure to meet the new patterns and demands of production and consumption activities (Tavsanoğlu and Healey, 1992, quoted in Loftman and Nevin, 1995). Therefore prestige projects represent important tools in aiding cities, and deprived locations within them, to come to terms with the process of wider economic restructuring. This process of spatial restructuring, in line with the changing world economy, is deemed essential to ensure the continuing economic survival of urban localities. The MRR also requires the formulation of a coherent city vision, which facilitates the development of coalitions and partnerships involving powerful public and private sector bodies and provides a clear framework within which local and central government officials can work (Lawless, 1990; Loftman et al., 1993; Loftman and Nevin, 1995; Peck and Tickell, 1994). These kinds of projects entail massive financial costs which tend to be wholly underwritten or heavily subsidised by the public sector. For example, during the early 1990s, the Central Government made around £75 million available to the MCC to construct its Olympic Standard facilities, which was justified in terms of its contribution to urban regeneration in the city.

The City Pride Prospectus is a good example to use to critique the effect of prestige developments adopted by Manchester in the 1990s. This initiative set out policies which sought to integrate the inner city with the city centre and promote Manchester as an international centre of commercial, creative and cultural potential and further develop high-profile sporting and conference

facilities. It was noted that, 'The vision rests on the marrying of an enhanced international prestige with local quality and benefit' (Manchester City Council, 1994:8). Achieving this laudable goal, however, may prove to be exceptionally difficult. Linkage policies have not been particularly successful in the UK and, in the case of Manchester, Robson and his colleagues (2002) have noted that, 'the continuing and deepening erosion of the position of the poor and of the areas outside the centre were seen to remain as a problem which was only scratched by urban policy' (Manchester City Council, 1994:413). Even though the 1967 plan had already aimed to create positive linkages with the rest of the city centre as one of the primary objectives, this problem still endures to the present date. In the next section, the attention is drawn to the development plans and Strategic Regeneration Frameworks (SRFs) published by the City Council to understand how the city has been transformed in the past fifty years or so.

5.4 Regeneration Strategies in Manchester

This section describes the chronological phases of regeneration strategies employed by the MCC.

5.4.1 1961 Plan and 1967 City Centre Map

The process of de-industrialisation in Manchester started with the First World War (Ortiz-Moya, 2015) which marked the beginning of the population decline. After suffering from a deteriorating economy for several decades, Manchester city centre did not see any new developments until the late 1950s which were gradually completed in the 1960s, coinciding with the publication of the 1961 Development Plan focusing on improving the highway infrastructure and rebuilding the nine areas devastated during World War Two, including

Strangeways, Market Place, Water Street, Swan Street, Shudehill, Piccadilly, Portland Street, Oxford Street and Faulkner Street. During this time, the 'crisis of Fordism' underlined the shift from the reliance on the mass-manufacturing industry (Taylor et al., 1996:60) and new rising industries emerged in Manchester, particularly, the increasing importance of the financial and services sectors. Therefore, it is not a surprise that in the 1967 Plan, the City Council recognized the strategic significance of office developments in the city centre to respond to the market demand for modern office spaces. One of the aims in this report was to, 'demonstrate the principal problems that need to be tackled at the present time and provide[s] a framework for future development in response to conditions and needs as they now exist and as they can be foreseen at this point in time'. It identified the economic situation Manchester faced as a regional city including the decline of manufacturing industry and growing need for space in the use of office and retail at that time.

The definition of the study area in this research shown in 4.4.1 adopts the same boundary defined in this 1967 report. The area of study is bounded by the Mancunian Way, River Irwell and a line (now following the inner ring road) to the North of Great Ancoats Street, comprising about 1,100 acres (445.15 hectares); at that time, more than 80% of the land use of the designated area was for business (targeting the rise of the financial and services sectors) and retail and 20% for industrial use. Through the 1967 report, the City Council understood the changing demand for the land uses in the city centre particularly due to the rise of the banking and insurance sectors, 'Offices and banks now account for about a quarter of the total gross floor space in the study area. 3.5 million square feet

(325,160.64 square meters) of office space has been built since 1948 (up to 1967)'. The report (p. 17) continued,

There is no doubt that there will be a continuing need for new office accommodation, if only to replace the least satisfactory element of the 10 million square feet (929,030.4 square meters) of pre-war offices, which cannot be made economically capable of meeting the minimum standards called for by the Offices, Shops and Railway Premises Act of 1963. There is a considerable volume of office space in former warehouse buildings...Banking and insurance functions are growing and so also is the demand for more (office) space by Central and Local Government.

This report pointed out that the size of the office market in the city centre was rather small and there were great constraints for converting the existing buildings into office space complying with the legislations.

Additionally, the City Council realized early at the time the importance of the public and private sectors working together to achieve the objectives set out by the government's development plans by making a planning system that is 'simpler and speedier to submit and deal with projects on a piecemeal basis' (1967 Plan) but still showing patience in more difficult and complex proposals.

During the 1970s to the early 1980s, no particular plan was published. This could result from the fact that Manchester experienced a dark economic time during these years with two recessions from 1974-1975 and 1980-1981. Employment in industry and warehousing continued to fall sharply, an almost 50% reduction in the textiles, manual manufacturing and engineering sectors. The deep recession

of the 1980s pushed down the city's economy even further. In 1981, the population of Manchester city centre slumped to 449,200, almost half the pre-World War Two figure.

5.4.2 1984 Local Plan and 1994 City Pride

The objectives of the Manchester city centre local plan in 1984 displayed the emergence of the entrepreneurial approach embraced by the City Council, aiming 'To make [the] City Centre economically sound with a respect to its history; to improve the transport links; to make the city a pleasant and safe place to visit'. In the same year, Graham Stringer, who famously steered the Council towards reversing the economic decline and working pro-actively with the private sector with a clear economic strategy, became the Council Leader. One of the evident examples was the launch of the Phoenix Initiative, which raised financial investment from both the public and private sector to regenerate the derelict land adjacent to the Rochdale Canal basin, running from east to west across the city centre along Whitworth Street (Kellie, 2010), in 1986. After two unsuccessful bids in 1985 and 1989 to host future Olympic Games, the MCC finally won the place to host the 2002 Commonwealth Games, demonstrating Manchester's enthusiastic embrace of sport as a major element of economic regeneration (Kidd and Wyke, 2016) and its motives to regain its economic self-confidence through regeneration during the 1980s.

In 1988, the MCC together with Salford and Trafford Council published a joint development strategic plan called European Integrated Development Operation 1989-1993. The objectives of this proposal were rooted in the belief of delivering regeneration policy for enhancing the economic development in a way which was 'sustainable in the longer term' and ensuring 'sensitive and sensible

redevelopment activity consistent with the existing strategic planning framework'. This report updated the economic conditions in the city centre. By 1984 the services sector accounted for over 70% of the employment available in the city centre; insurance, banking and business took up 12.7% of total employment. At this time, the retail sector still dominated land use in the city centre. The report showed that from 1971 to 1984, the city centre lost 11% of services sector jobs but financial services gained only about 2%. However, in 1988, the City Council already proclaimed, 'Manchester is the second most important financial centre in Britain'. The Council targeted Financial and Business Services, particularly Insurance, Banking, Accountancy and Research and Development (R & D) as areas of growth potential. In general, as the 1988 report suggested, the central and local government deemed that investment in services industries would not need public support but the public sector had a vital role to play in 'pump-priming' the industry to a point where it could develop sufficient momentum to be attractive to more private sector investment.

One approach of the City Council to foster the private investment momentum was to identify market trends. As Young, C. et al. (2006) observed, 'The need to attract a new city-centre population has led to a focus on gentrification and the marketing of a new city-centre lifestyle, processes in which various 'non-material strategies' play a key role'. The initial kick start was to publicly subsidise Central Manchester Development Corporation (CMDc) — an Urban Development Corporation charged with developing an area of the inner city, especially through the refurbishment of old warehouses into quality office space between 1988 and 1995 (Deas et al., 2000). This process 'acquired a market momentum of its own

(Robson et al., 2002), reflecting the centrality of the private sector in regeneration’.

In terms of development opportunities in Manchester city centre, the 1988 report pointed out several weaknesses. One was that financial institutions showed some reluctance to invest in the city centre. This lack of investor confidence was due to factors including (a) poor city image of Manchester; (b) perceived social problems; (c) relatively poor returns on investment. Furthermore, development processes were hindered by fragmentation of ownership, derelict sites and poor infrastructure.

The development plan, ‘City Pride: A focus for the future’ in 1994 summarised the City Council’s regeneration strategy, ‘Our strategy will build on Manchester’s distinctive characteristics and strengths – our industries, our artistic, cultural and sporting institutions, our centres of learning and, above all, our people – to create an area that can compete in its own right, and on its own terms, with other regional capitals in Britain and abroad’. This statement suggested that Manchester positions itself not as a competitor with its neighbouring towns such as Bolton or Stockport but with its global counterparts such as Barcelona and Atlanta (Kellie, 2010) to become ‘a truly European regional capital’ quoted in the 1995 Unitary Development Plan.

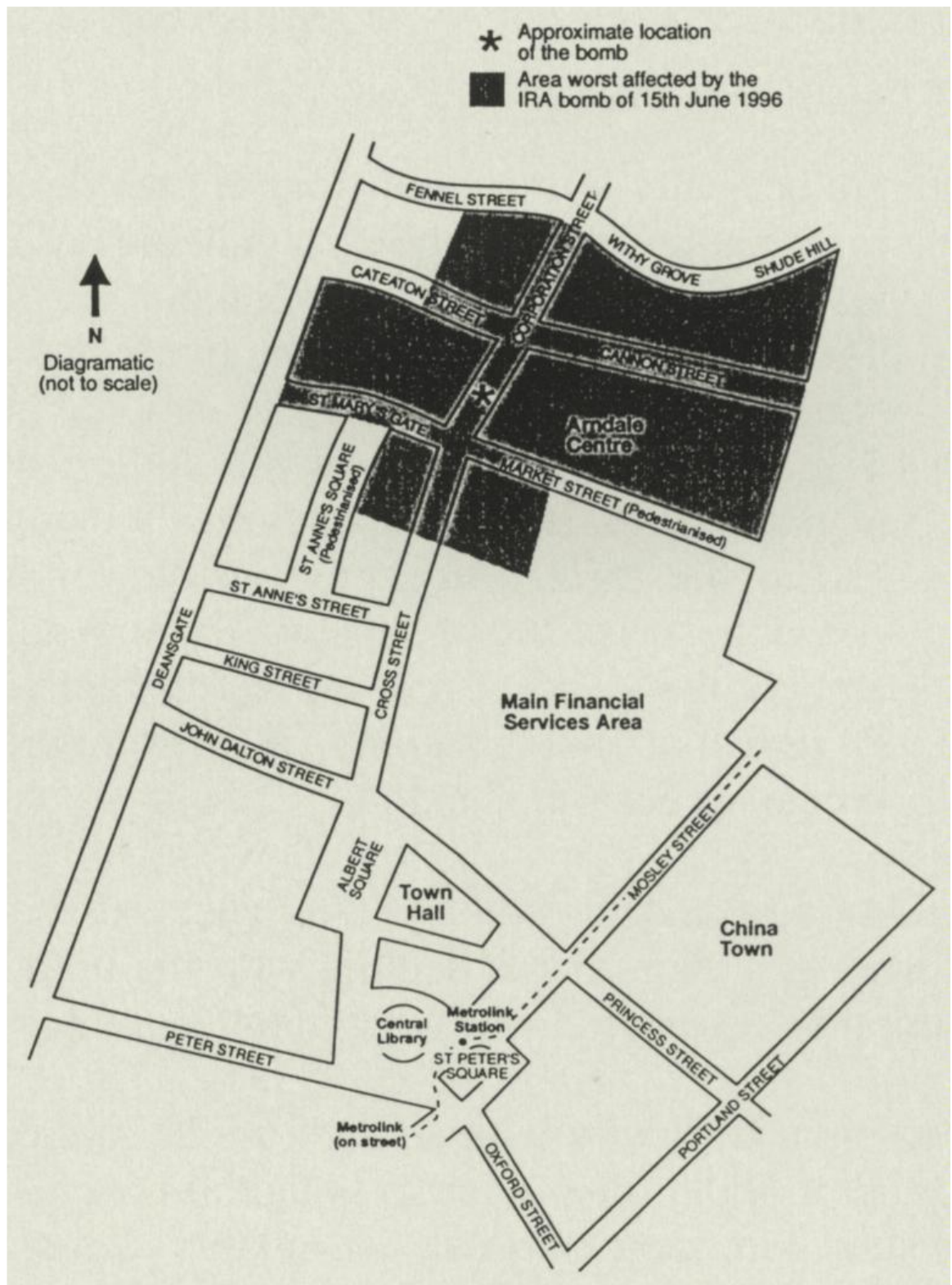
5.4.3 1996 IRA Bomb

On 15th June 1996, the shocking incidence of IRA Bombing in Manchester City Centre caused extensive damage to the fabric of many buildings around the hub of the retail and business centre outlined in Figure 6 but also brought up an opportunity to ‘clear away many of these misplaced, isolated buildings’ (Kellie,

2010:76). Remarkably, the bomb seriously injured only 10 people. Williams (2003:86) observed,

The damage to property was considerable, particularly for 300 metres along the length of Corporation Street and for a width of 100 metres, with a total of 1,200 properties and 43 streets being damaged in some way...In commercial terms, 672 businesses were displaced; 49,000 square metres of retail space and 57,000 square metres of office space were immediately decommissioned and 1.2 million square metres of property generally affected.

Figure 6. The Bomb-damaged area

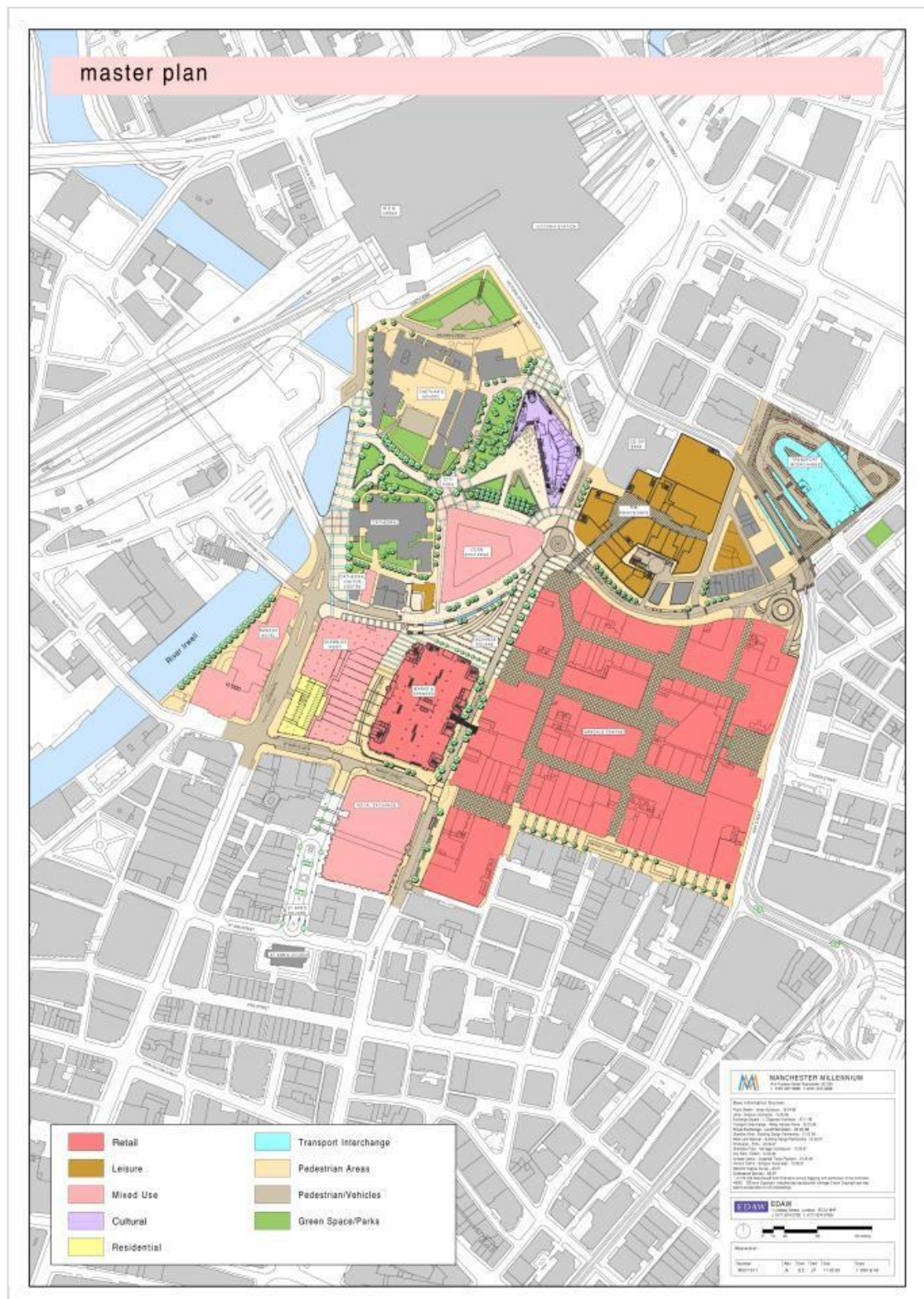


Source: Adopted from Kitchen (2001)

A joint public-private task force, Manchester Millennium Ltd. (MML) was founded in 1996 to rebuild the bomb-damaged area in the city centre. The duty of MML

mainly focused on facilitating private sector action and coherently articulating a framework in which investors could have confidence in. The MCC on the other hand was accountable for all public resources approved for city-centre rebuilding and retained its planning function for the renewal area. Williams (2003) commented on the efficiency of this partnership, 'it is clear that MML afforded the MCC a considerable degree of control over the whole process, whilst ensuring the full commitment and capacities of private sector landowners'.

Figure 7. The post-bomb masterplan



Source: Confidentials.com (2016)

A masterplan for re-constructing the bomb-damaged area was announced through a global design competition (see Figure 7). The first step to draw up a

masterplan is to secure planning permissions required, usually a time-consuming process. Kellie (2010:66) pointed out what makes Manchester, referring to Manchester City Council, different was its efficiency and effectiveness to handle this process, which gradually earned a name called the 'Manchester Model to regeneration' or the MRR in this thesis. For example, in order to rebuild the part of city centre damaged by the 1996 IRA bomb, the MCC worked closely with Manchester Millennium Limited and jointly published the Supplementary Planning Guidance (SPG) in January 1997 for the bomb-damaged area to provide a framework for those developers and landowners wishing to prepare and submit planning applications. This guidance translated the masterplan into a series of policies and objectives, which accordingly provided applicants with a degree of certainty.

Another example that demonstrates the efficiency of the city council is its commitment to determining all planning applications within a period of eight weeks, some major applications within thirteen to sixteen weeks. Table 14 shows some actual planning permissions granted in line with the timescales proposed.

Table 14. Planning permissions granted for rebuilding the bomb-damage site

Project	Submitted	Approved	Duration
New Marks & Spencer Store	15 July 1997	18 September 1997	9 weeks
Shambles West Retail Development	6 August 1997	24 October 1997	11 weeks

The Printworks	8 September 1997	7 November 1997	8 weeks
Extension Of Arndale Centre Along Corporation Street Frontage Between Market Street And Cannon Street	9 January 1998	12 March 1998	8 weeks
Corn Exchange Refurbishment And Alterations	6 July 1998	10 September 1998	9 weeks
Creation Of City Park (Cathedral Gardens)	28 May 1999	8 July 1999	5 weeks

Source: Kellie (2010:68)

Kellie (2010) observed, 'Delivering timescales as outlined above would simply not have been possible without the MCC and Manchester Millennium working pro-actively with landowners and associated professionals with meetings and discussions taking place on a regular, sometimes daily, basis'. This is only one example of how the city council from the early stages provided its support to prospective developers and investors, earning their 'trust' to do business with.

5.4.4 2003 Strategic Plan

One of the issues identified within the Manchester city centre 2003 strategic plan for 2004 to 2007 was, 'how we [Manchester] sustain the competitiveness of the Manchester office market'. This included the pressing action to strengthen the office market in Manchester at a time when industries were undergoing

fundamental changes especially in relation to Manchester's competitiveness to other UK and European cities via planning policies and addressing development constraints. It is evident that the City Council targeted the expansion of the office market in the city centre to boost the city's competitiveness and economy as *the* regional centre in the North.

In order to achieve its aim, the City Council believed, 'It is vital...that the Plan remains sensitive to the changing needs and development dynamics of the city centre economy' and was keen on resolving 'the problem of the lack of opportunities to provide strategic sites that [are] capable of meeting the market demands of international investors and encourage the growth and development of commercial office space'. It is clear here that the vision of the City Council for Manchester was for a global city competing with other international cities by identifying, 'premium development sites that are capable of meeting demands of indigenous and new strategic investors'. They then chose regeneration as the instrument to deliver policy initiatives. The 2003 strategic plan stated, 'Regeneration initiatives, especially those at Spinningfields, Piccadilly and Southern Gateway are central to strengthening and expanding the economic base of the city centre and its growing reputation as an international destination of choice for world class investors in financial and professional services, creative industries and other high value-added sectors. Consideration will be given to the timing and supply of sites in order to maintain the strength of the retail and commercial cores, whilst supporting the role and growth of the regional centre'.

The 2003 strategic plan reflects some characteristics of the so-called MRR, which involves joint ventures between the MCC and a series of property developers and investors to build upon both of the 'comprehensive development areas' (Kellie,

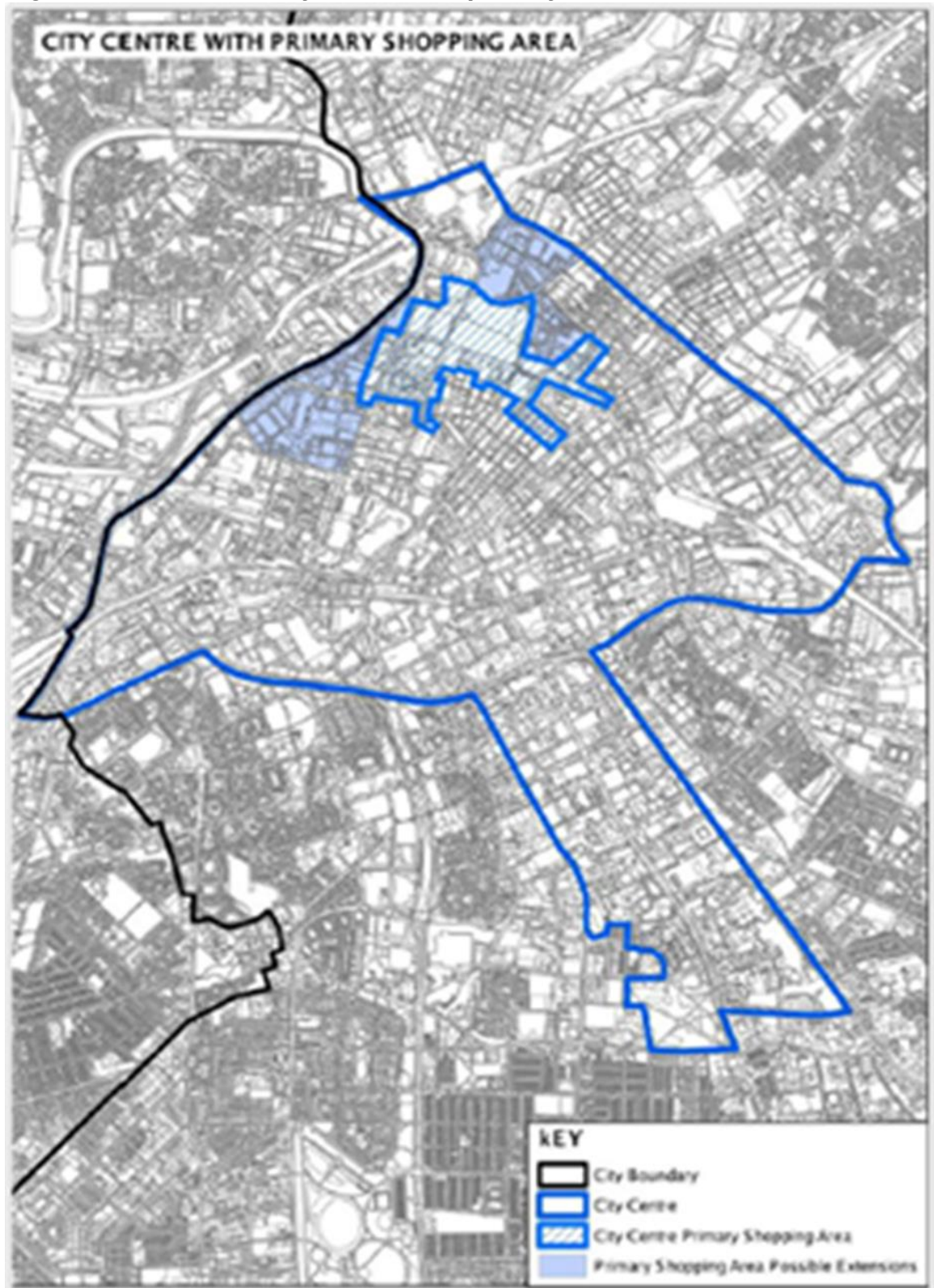
2010:77) that offer a large scale of construction sites and small-scale, high-quality commercial developments across the city centre. More detailed explanation on the MRR is provided in the later section. Four primary comprehensive development areas were proposed: Spinningfields, Piccadilly Place, Piccadilly Basin (also known as Piccadilly Gateway) and First Street (also known as Southern Gateway). However, not all of these mega-projects have been as successful as planned. In September 2005, the MCC and the North West Development Agency approached the BBC which was searching for a new place to relocate in the northern region by suggesting to them the development site of First Street. The final decision to move to Salford Quays announced by the BBC was a big disappointment but did not deter the City Council getting it built. The First Street development was completed in 2018 comprising high-end office spaces, restaurants, hotel facilities and a supermarket with a re-designed public realm. However, it took about 15 years from the initial vision to the actual implementation, emphasizing again the long-term nature of urban regeneration. The following maps (Figures 8 & 9) display the growing territory of the city centre from 1967 to 2009. The 2009 City Centre Strategic Plan explained, 'The City Centre includes the City Centre ward and parts of Ancoats and Clayton, Ardwick, Moss Side and Hulme wards. It is defined as the area inside the Inner Relief Route and extends naturally beyond this to encompass the Oxford Road Corridor to the southern margin. The City Centre extends to Chapel Street, within the administrative boundary of Salford City Council, and the City works with Salford City Council to build a strong shared strategic context to ensure the integrity of city centre regeneration (p. 16)'.

Figure 8. The territory of city centre



Source: MCC (1967)

Figure 9. Manchester city centre with primary retail areas



Source: MCC (1967)

5.4.5 2012 and 2015 Strategic Plans

Since 2010, the UK economy recovered at a slow pace with annual growth rates of between 0.2% and 3.1%. Office development was still the policy focus that was emphasised in Manchester's Local Development Framework announced in 2012 as well as the 2015 City Centre Strategy Plan for 2015-2018. The revised plan in 2016 announced that, 'Compared to other regional centres, Manchester continues to perform very well with regard to the take-up of office space, and the city centre now has the largest office market outside London'. The Council also recognized that there was a greater demand for not just Grade A space, but a range of commercial space which was flexible and attractive to the price-sensitive occupier. As a result, the SRFs for key areas of the city centre aim to create space for accommodation that is flexible and able to meet the needs of the market, key growth sectors, and small and start-up businesses.

5.5 The Development of Manchester Office Market

The following presents the changes of national economic performance in the UK, affecting the Manchester office market with an aggregative effect.

From 1960 to mid-1980s

Investment in property by UK financial institutions was limited until the 1950s and then initially focused on high street shops (Scott, 1996, quoted in Jones, 2013:11). Then by the late 1970s, financial institutions collectively moved into offices as an asset class which now represent over 30% of their property portfolio (Jones, 2013). Looking at the wider economic situation, the UK experienced the negative impact both of the 1970s recession and deindustrialization that resulted in a high unemployment rate and negative GDP growth between 1974 and 1975

(Tallon, 2013). There is a history of cycles in the property sector which have connections with the wider business cycle. Cyclical movements in the property market are most evident in the office development and investment markets (Jones, 2013). For example, commercial property crashed in 1974 and 1975, conforming to the negative GDP as mentioned above and reflecting the high interest rate and inflation following the 1973 oil crisis as well as over-leveraged developers as a result of speculation on the shortage of commercial floorspace.

Early 1980s UK was still in the shadow of the recession with negative GDP growth witnessed between 1980 and 1981, however, it recovered steadily from 1982 and remained economically strong up to 1990. Another property market crash began in the early 1980s caused by the recession. Rising unemployment had affected the demand for property and commercial rents fell along with capital values. Property lagged behind the rest of the economy in its recovery and there was no further property boom until 1986-7 (Jones, 2013). During this period, Manchester suffered from more severe population and job losses in the city centre compared with Birmingham and Leeds (Ortiz-Moya, 2015:36); also 'its industrial and decadent image' (ibid:35) seemed to deter investment opportunities and few property developments took place in this time.

From mid-1980s to 1996

The rate of economic growth in the UK slowed down after 1989. The beginning of another recession was confirmed in January 1991. Interest rates had been increased between 1988 and 1990 to control inflation, which topped 10% in 1990 (Tallon, 2013). Similarly, in 1991 the rental growth had tailed off and the market collapsed (Jones, 2013). By the end of 1992, interest rates had gone below 3% and in 1993, the UK economy started to grow. Growth rates were consistently

between 1.3% and 5% from 1992 to early 2007. Inflation, though relatively steady at around 2%, did rise in the approach to the financial crash. The drastic loss of city centre population since the 1970s urged the MCC to 'forge a new brand' (Ortiz-Moya, 2015:35) by initiating several flagship developments, such as the opening of the G-MEX Exhibition Centre in 1986; or by bidding for international sporting events such as the unsuccessful attempts to host the 1996 and 2000 Olympic Games and successful bid for the opportunity to host the 2002 Commonwealth Games. During this time, another flagship project - the MEN Arena was completed in 1995 - and the concert hall of the Bridgewater Hall in 1996 before the IRA bombing.

1996-2008

By 1996, Manchester proclaimed to have, 'the largest office provision in the UK, outside London, with over 1.8 m sq. m (20 m sq. ft) in total', stated in the report named, 'Manchester City Council Economic Initiatives Group Economic Facts' (1996). The most vivid evidence of Manchester's success in regeneration is the city's response to the IRA bomb that devastated the heart of the commercial area in 1996.

Figure 10. Greater Northern Warehouse



Source: Photograph by Clem Rutter.

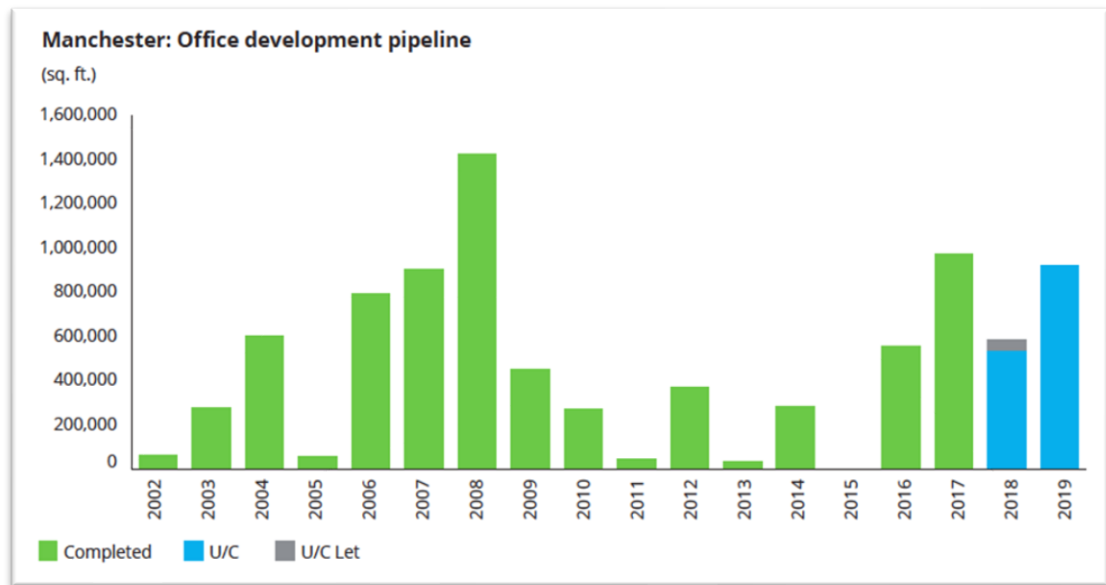
The flagship regeneration development of Manchester's Great Northern Warehouse completed in 1998 (see Figure 10) was a signature example for the regeneration projects promoted by the City Council. This regeneration project received £145 million with public sector investment of £30 million developed in a partnership 'involving Merlin Great Northern Ltd, English Partnerships, G-MEX Ltd and the City Council in order to create a new civic square, conference centre and offices'. The list continues to include other flagship projects: the Urbis Museum (now the National Football Museum) in 2002, the Beetham Tower in 2007, together with large-scale transformation in several areas such as Spinningfields along the side of River Irwell, NOMA53 in the northern side of city centre and First Street in the South (Ortiz-Moya, 2015:36).

Manchester regime after 2008 recession

The UK entered a recession in the second quarter of 2008. At the end of 2009, the economy had shrunk by 5.2% (Tallon, 2013). During the 2008-2009 recession, the crisis in liquidity and confidence was hitting property markets hard in Manchester and making more marginal sites difficult, if not impossible, to bring back into use. For example, the progress of the regeneration development in New Islington was severely limited during this recession (Karadimitriou et al., 2013:147). Bank lending on contaminated sites could not be expected. Oversupply issues, driven by speculation during the boom, had fuelled the latest crisis. The recession was also affecting remediation techniques carried out, with more standard or less costly techniques holding sway. As regeneration was a long-term process, market cycles were inevitable. Riding out the storm would be difficult but there were also some advantages, with cheaper site assembly now possible.

As Harding et al. (2010) observed, even though the increase of local unemployment was severe in Manchester it was deemed to be relatively modest compared to the worst-affected areas of the UK and the number of unemployed claimants between mid-2007 and mid-2010 indicates 'that the City of Manchester (+157%) suffered slightly less than the UK average (+166%). GM as a whole (+182%), however, fared substantially worse (Harding et al., 2010:986)'. According to the report of LaSalle Investment Management in 2013 regarding the resilience of commercial property markets, Manchester was holding its own whilst rivals in the north fell back badly since their figures showed that 'Manchester slipped one place [the ranking from 35th] to 36th, neighbouring cities did much worse. Liverpool was down 40 places to 96th, Leeds down 14 to 74th and Sheffield down 19 places to 95th (Manchester Evening News, 2013)'.

Figure 11. Development pipeline between 2002 and 2019



Source: Deloitte - Manchester Crane Survey (2018)

The commercial property market has a cyclical nature, but it is challenging for market actors to know when to stop in a cyclical activity of property development and investment. The restraint will finally come from the market downturn not from the council planning committees refusing applications (Folkman et al., 2016). Another interesting observation is that the City Council has developed a protective relation with its developers; for instance, Sir Richard Leese, the MCC leader weighed in to defend the development of St Michael's, which faced a public petition against the quality of its proposal in 2015. As one can see from the table above (Figure 11) abstracted from the Deloitte 2018 Report, it is noticeable that the volume of office development after 2008 decreased significantly and there was zero development in 2015. After 2016, the volume of office development came to a relatively robust level reaching more than 46,451.52 square metres (500,000 sq. ft.) and doubled to 92,903.04 square metres (1,000,000 sq. ft.) in 2017.

In 2010, the coalition government pursued a different form of localism that dramatically changed the national funding landscape for regeneration by moving away from the comprehensive area-based Single Pot funding to a range of splintered funding sources, such as Tax Increment Financing (TIF). Tax Increment Financing (TIF) had been employed by the Labour government under Blair, the coalition and then the Conservative government as a scheme drawing upon US experience of property-led regeneration (Squires and Lord, 2012, quoted in Deas, 2013:72) that was envisaged as ‘a means of helping to fund urban development’ to ‘allow local authorities to borrow against future increases in revenues from locally raised business rates generated by new development, as a means of funding major capital and infrastructure investment (Deas, 2013:72)’ and they predicted at the time that Manchester’s commercial property market would suffer less than those of other UK cities. This has been endorsed by the news reported in 2019 that Manchester city centre had ‘the largest pipeline of Grade A office stock since the recession of 2008, according to the latest office market snapshot by real estate advisors Colliers International (Manchester Evening News, 2019)’.

5.6 Interplay Between Local Political Vision and Market Development

The following section provides an account of how the development of the Manchester office market has been shaped by the political vision of the Council over the time divided into three stages.

Vision 1 pre-1987: City centre as the regional capital of the North

The total vacant area of office space steadily increased from 1967 to 1972 in contrast to the growth of completions in the years of 1968-1970 and 1974-1976 (Damesick, 1979:350, Figure 3).

Although recording declining employment, Central Manchester continued to attract major office investments between the mid-1960s and mid-1970s...These investments were partly 'defensive', comprising redevelopment schemes, some inspired by the local authority, to maintain the centre's commercial status. The early seventies' property boom also generated considerable speculative office building. (ibid:349)

Total city centre office floorspace increased by 15% between 1966 and 1975 from 13.94 million sq. ft. to 16.4 million, derived from the reference stating that a net increase of 25% of total stock in 1975 was equivalent to 4.1 million sq. of 16.4 million sq. ft. in total (ibid:350). However, 'the occupied area grew only 2%' (ibid:350) in 1975 close to the time of the recession in 1976 (Barras, 2009:184, Figure 6.1).

Vision 2 1987-1996: the onset of 'entrepreneurial city'

The 1987 victory of the Conservative party in the general election effectively made the council leader, Graham Stringer begin "to espouse a new entrepreneurial model of development" (Quilley, 2000:606), which was the base developing into the MRR referred to in this research in the following thirty years, including the decision of cooperating with the central government by accepting the strategy of property-led regeneration through the PPPs, cooperation with the

Central Manchester Development Corporation and participation in competition in bidding for the regeneration funding such as City Challenge and City Pride as well as going for the bids for the Olympic and Commonwealth Games, with the focus of the 'place-marketing strategy'. These tactics and actions are mentioned in the interviews and are regarded as one of the important milestones of creating a new modern image of Manchester. Between 1987 and 1996, the Stringer administration secured many flagship developments through the city centre regeneration that 'has become a model for many other UK cities' (ibid: 612) sharing many traits of the 'new progressive urbanism' featuring the political vision of the Council leader. This has been achieved by the strong political leadership and his assertion of control over 'the administrative hierarchy within council bureaucracy' (Quilley, 2000:608). The statistics collected in this thesis (see chapters 5 and 6) provide some supporting evidence in line with the political turn and vision during Stringer's era with the fact that by 1996 the scale of the office market in Manchester city centre had grown six times larger than the size in 1967, almost reaching the full capacity of the total office space in 2017 at less than 23 million sq. ft.

Having said that, behind the boom of redevelopment projects in the city centre, the labour market in this period of time was not been able to break the trend of continuing decline of jobs and population until 2001 (Ortiz-Moya, 2015:33). This highlights that local policymakers faced the impediments embedded in the political-institutional framework and the power of globalisation on the process of the economic re-structuring at that time (Quilley, 2000). However, Harding et al. (2010:981) conducted similar research on the subsequent development in the political economy of Manchester and found that between 1981 and 2006, the city

gained a net increase of 11.3% in employment and by 2011, Manchester claimed to be the third fastest growing city in England and Wales (Ortiz-Moya, 2015:33).

Vision 3 after 1996: Manchester Development/Regeneration Regime

From the data of this research, the scale of the Manchester office market has become rather significant, growing from 3.5 million sq. ft. in total in 1967 to more than 22 million sq. ft. around 2017 and arguably has been deemed the largest market outside London. According to several interviewees, the turning point of the newly established mature market appeared around 1996 when the size of the office market grew to 20 million sq. ft. A number of developers and institutional investors explained the importance of large market scale for making investment decisions in terms of which markets they should throw their money into. These larger office markets can benefit from the effect of economic agglomeration, that is particularly true for the prime office occupiers - banks and financial firms. However, there is a paradox behind the successful story of Manchester. Some scholars (such as Harding et al., 2010 and Ortiz-Moya, 2015) cautiously gave certain credit to the positive impacts partially derived from the effectiveness of leadership and public policies of the City Council. But other scholars held a more conservative and even cynical view that the success of the claimed transformation in Manchester has been over-rated (for example, Folkman et al., 2016). They pointed out that the direction of the economic policy based on the agglomeration theories of urban development that prioritised the city centre of Manchester would not resolve the problem of widening social inequalities in the area of GM but could make it worse. The attack on the achievement of office re-building is far less acute on commercial developments than on the housing ones in this report and rather they were surprised that the scale and growth of new-

build office spaces and the level of rental values in Manchester have shot up substantially over the past decades.

5.7 Urban Regeneration and Political Leaders as Market Actors

Manchester is widely regarded to epitomize a shift towards entrepreneurial governance (Bell and Binnie, 2005); a shift in the way in which the city is restructured and promoted, and in the way those processes are managed and financed by both public and private organisations, increasingly working in partnership. As Peck and Ward (2002) wrote, 'Manchester has learned how to be very good – some would say the best – at the political theatre of regeneration, with its set-pieces and carefully staged cast'. It is one of the essential abilities of the MCC to create many of its regeneration strategies and visions for the city.

The city's regeneration throughout the 1990s was driven by public-private partnerships based on the forging of very close networks of trust between the City Council and the local business establishment. These networks had been developed in the city's two unsuccessful bids to host the 1992 and 1996 Olympic Games, and the new form of urban governance shaped by the Olympic bids foreshadowed the business friendly, New Labour approach to urban regeneration. Other distinctive features of Manchester's regeneration script have included the vigorous promotion of city centre living, which has attracted over 10,000 people to live in the centre since the mid-1990s. There has also been recognition of the cultural industries as well as institutional support for the development of the city's gay village, recognised as one of the most vibrant and dynamic gay spaces in Europe.

While there has been considerable criticism of the outcomes of Manchester's revitalisation, some commentators have also highlighted the city's success stories. Robson (2016), for example, outlined the shape and content of the Manchester 'script' or 'model' of regeneration, including its policy vision for repopulating the city centre through encouraging the development of restaurants, clubs, cinemas, hotels and other leisure and consumption spaces. This strategy has, in Robson's view, successfully transformed urban living in Manchester, creating and sustaining a market for city centre living which has in turn helped generate local demand for consumer goods and services, including those related to eating and drinking.

The experience of the MRR brings these fruits, including: first, the city's consistent success in drawing discretionary public funding and private investment into regeneration schemes which has helped improve Manchester's 'offer' to the citizens, businesses, investors and the general public (Harding et al., 2010:984); second, through urban regeneration, Manchester has transformed its image and identity from the shrinking post-industrial regional centre to a vibrant global city (Ortiz-Moya, 2015:37); the MRR and public-private governance over last 30 years have been adopted to be the base of the GMSF in the new political arrangement of city-region setting emphasizing property-led development that seems to follow the trajectory of the pro-growth paradigm (Hodson et al., 2020) and the effect of agglomeration economics (Harding et al., 2010; Ortiz-Moya, 2015; Hodson et al., 2020; Deas et al., 2021).

The municipal governance of Manchester has been characterized as the 'Manchester script' by Quilley (1999), the 'Manchester model' by Haughton et al., (2016) or the 'Manchester miracle' (Harding et al., 2010) that accentuates the

traits of 'urban entrepreneurialism' referring to the concept interpreted by Durose and Lowndes (2010:347) that 'cities behave[e] like businesses, developing 'entrepreneurial measures narrated in entrepreneurial terms (Jessop, 1994:37)'. The term 'Manchester Regime' is used to describe this notion to highlight the features of the Manchester policy trajectory that has been focused on 'a supply-side strategy based upon property-led regeneration and place-marketing...emphasi[sing] attracting a new (middle class, young, professional) population and "de-risking" some parts of the city for private investors (Durose and Lowndes, 2010:347; Beal, 2012)'. This strategy has been promoted by the 'core political leaders and public servants' of Manchester City Council, or so called 'Manchester Men' (Peck and Tickell, 1995, quoted in Durose and Lowndes, 2010:347).

As a local authority, the MCC obtains various regulatory and non-regulatory powers to 'de-risk' regeneration development, such as compulsory purchase power for land assembly, the provision of the Council owned land, investing in the essential infrastructure or sharing the networks of public and private partners. The case study of East Manchester regeneration and other similar cases indicate evidently that the success of delivering these projects is closely linked to what stage these properties were constructed, completed and sold during the market cycles (Karadimitriou et al., 2013; Blakeley and Evans, 2013). The sensitivity of regeneration developments to market volatility was perceived by the City Council as a risk and uncertainty that needed to be tackled due to the nature of the long-term timespan by investing political and financial capital in infrastructure, the partnership arrangements and adopting the flexibility of designing masterplans (ibid:164). This example just signifies the importance of the long-term

commitment from the local authority to maintain the interest and confidence of private developers and investors to these projects, particularly, in a downturn of a property cycle.

5.8 Conclusion

This chapter provides an analysis of a number of relevant themes associated with the primary research question entailing the Council's regeneration strategies from the 1960s, explaining the beginning of office market development in the City Centre before the 1970s, and how expanding and enhancing the office market became one of the primary aims of the Council's regeneration strategies to foster the city's economic activities and attract inward investment. During the period of the 1960s and 1970s, the MCC identified the growing industry in the financial and services sectors in the region along with the global as well as national trend and realized that these types of firms required modern office space to accommodate their expanding workforce. The vision and objective for supporting the growing industry in the financial and services sectors during the 1960s and 1970s were stated in the MCC's economic and regeneration strategies, for example, the 1967 Plan.

The observation on the state-market relations focuses on the event of supply-side intervention with a gradual increase of private-sector involvement. This strategy has since become a prevailing form of city governance emphasizing the deliverance mechanism of regeneration schemes through the PPPs, an important component of the MRR. After 1979, the neo-liberal agenda in property-led regeneration was employed by the Conservative central government and this approach urged local authorities to involve the private sector to participate in the

development process. Consequently, the MCC started facilitating this supply-side intervention (Quilley, 1999:185) by making the planning application process speedier and more efficient with clear guidance to prospective developers as one of its adopted approaches. In some cases, the MCC has provided direct resources such as public funding or council owned land. In order to attract more private-sector involvement, the MCC not only tried to encourage the private developers to initiate more new office developments by providing a comprehensive development guidance in order to grant planning permissions more efficiently, but also directly launched new developments in the name of regeneration with public funding or the formulation of the PPPs.

This kind of supply-side policy continued over time. By the late 1990s, the office market in Manchester continuously grew to a substantial scale and gained its regional importance for real estate investment by attracting institutional investors. The MCC then enhanced its city image by promoting Manchester as an 'entrepreneurial city' welcoming investment and businesses as well as boosting the urban ranking of Manchester to a national importance, or even to the global arena, by twice bidding for the Olympic Games in 1987 and 1993 (Taylor et al., 1996) and successfully hosting the Commonwealth Games in 2002. The MCC branded itself as a local council which is pro-business and proactive to any new entrepreneurial opportunities. This approach creates an appealing investment environment for prospective investors, firms, skilled labour and entrepreneurs. During the 1980s and 1990s, the predominant approach of conducting regeneration schemes commonly involved the bidding process to compete for limited central government's funds with other regional cities, which led to a call for city competitiveness. Moreover, since office supply has increased over time,

this trend resulted in a growing office market in Manchester. The scale and size of the office market expanded and trading activities became more frequent and substantial over time. By the late 1990s, a more substantial office market was established in Manchester, which then became one of the regional investment hubs in the office sector among institutional investors outside London.

Additionally, it offers a detailed review of how the MCC handled its relationship with the Central governments over time in terms of obtaining limited regeneration funding and political power in a fashion of public-private partnership, which then evolved into the 'Manchester Model' that formed a foundation for the city-region concept and the notion of the Northern Powerhouse. Since the late 1990s, the MCC has effectively employed the Strategic Regeneration Frameworks (SRFs) to guide and steer the direction of urban development in the city. Leadership in the MCC shaped the political framework of the MRR that subsequently has been adopted in the GMSF proposed by GM as one of the new city-regional authorities, by which the central government devolves powers and resources to English city-regions. The establishment of GM is based on a tradition of close collaboration amongst neighbouring local authorities that has been developing since the 1980s with various phases including the GMCC, dissolved in 1986, the Association of Greater Manchester Authorities (AGMA) (Haughton et al., 2016:359), and then GMCA. The bidding of a regeneration initiative for City Pride initiated in 1994 was one example of these opportunities to promote cross-authorities cooperation underpinning a view that if the economy of Manchester was genuinely to be revitalised in the international urban competition, strategic policymaking capacity would need to extend across a number of the unitary district authorities of Greater Manchester (Deas, 2014:2288).

Given this context, this chapter has scrutinised the regeneration strategies proposed in the development plans of the MCC since 1967 and examined the implementation of these proposals based on the approach of classifying planning instruments (Tiesdell and Allmendinger, 2005) and the framework of local political leadership (Leach and Wilson, 2002), discussed in the previous chapters of the relevant literature review, to establish the policy impact on market behaviour in the real estate sector. Through this investigation, a focus is put on these aspects: first, the actions taken by the City Council to respond to challenging market movements over time; second, the implementation outcomes of the development plans and the SRFs through the application of the public-private partnership network and in the context of the institutional relationship between the central and local governments as well as the role of the Council's leadership in regeneration. A list of these key development plans published by the MCC and relevant events occurred in Manchester has been summarised in Appendix 4.

Chapter 6. Regeneration property index

'The process of researching into a local commercial property market often starts from a position of seeking to record changes in some major indicator of market activity, typically price.' (Stapleton, 1989:52)

6.1 Introduction

This chapter focuses on the analysis of quantitative data to evaluate the level of market maturity, economic resilience and competitiveness for determining individually whether the regeneration office market has reached its mature and sustainable state; how resilient the market has been during cyclical economic downturns as well as its competitiveness for attracting inward investment. All these findings feed into a collective reflection on whether the whole Manchester office market in the city centre became more sustainable over the designated period.

The structure of this chapter is arranged by firstly introducing the essential elements of constructing an index including the rationale of selecting Rental Value as the market indicator; the use of transaction-based data and CoStar databank; the boundary of the research area and regeneration areas; the process of constructing a real estate index; then the concept of property cycles. The measurement variables and data analysis are explained following with the conclusion section and finally the limitation of the data collected.

6.2 Rental Value and Investment Risk

Property as an investment has to compete with other asset classes, primarily equities and bonds. Institutional investments heavily concentrate on the prime

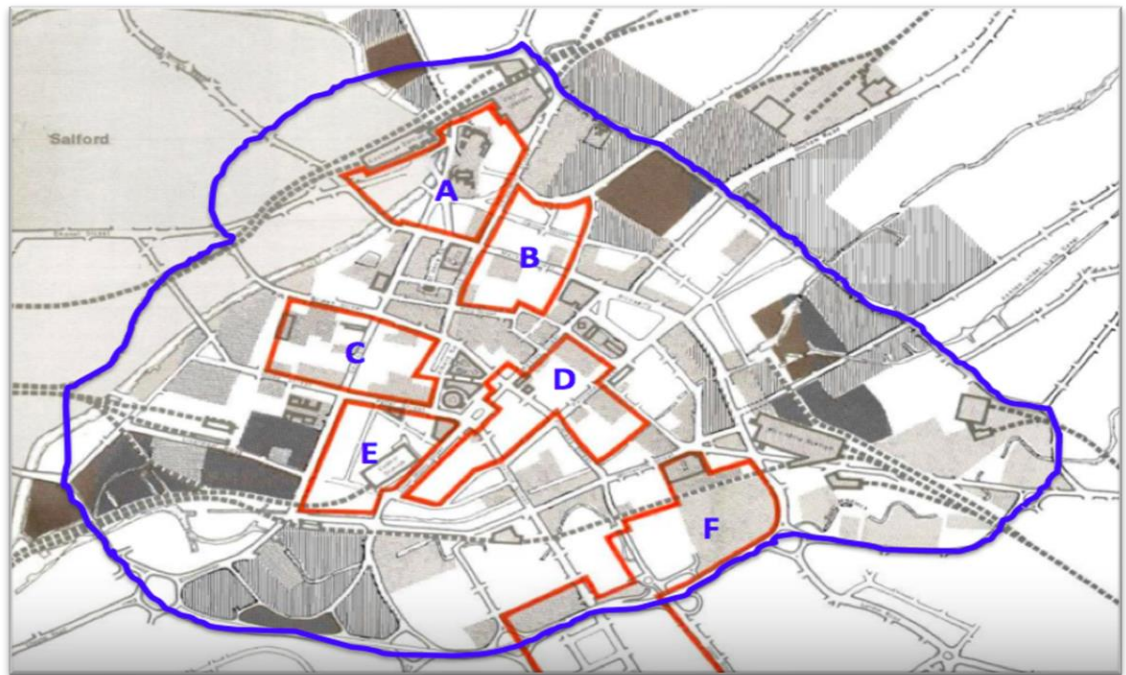
commercial markets and are held in a form of portfolio asset, which is an important element for the observation of institutional investor behaviour. For portfolio information, one of the key criteria in determining allocations across the respective asset classes is performance-based measure of risk (Adair et al., 2005:151; Wyatt, 2013). Consequently, the focus is placed on analyzing the level of investment risk based on the formula of calculating rental value, namely Standard Deviation (SD) reflecting the level of market volatility. As explained in chapter 2, the rationale of choosing rents over other popular variables for measuring market performance, such as returns, yields or capital values comes from the fact that not only are these indicators derived from the rental values but also that rent level determines the profitability for developers and investors and hence the level of new developments (Barras, 2009; Jadevicius and Huston, 2017).

6.3 Research Area and Office Transactions

6.3.1 Defining Regeneration Areas

As mentioned in the previous chapter, the defined research area adopts the same boundary defined in this 1967 report. It is bounded by the Mancunian Way, River Irwell and a line (now following the inner ring road) to the North of Great Ancoats Street, comprising about 1,100 acres; at that time, more than 80% of the land use of the designated area was for business and retail and 20% for industrial use. There were six redevelopment areas (labelled with A – F, see Figure 12) identified in the 1967 report but this research excludes the redevelopment area further south beyond the Mancunian Way because it is further away from the CBD of the city centre.

Figure 12. Redevelopment Appraisal Plan 1967 and research area



Source: Adapted from MCC 1967 Plan.

Figure 13. Four-star office buildings

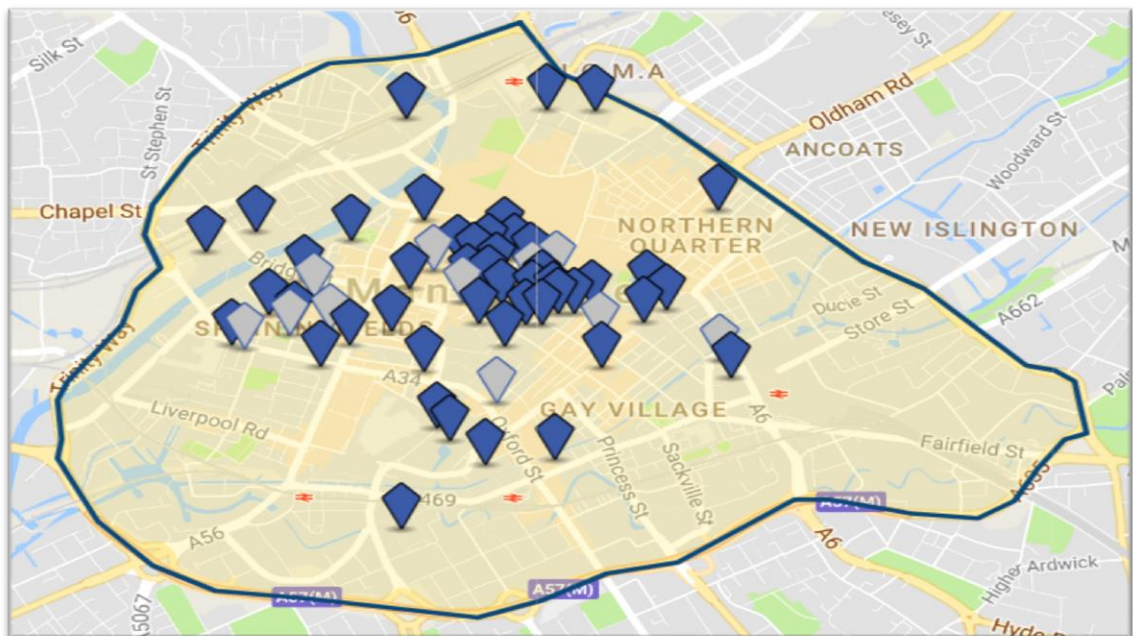


Figure 13 displays all office developments constructed between 1967 and 2017 (including 2017) with new lettings, rent reviews, lease renewals and available space on the market with asking price. The search requirements include the real

transaction of lettings, rent reviews and lease renewals completed between 1984 and 2017.

6.3.2 Transactions for Rental Values

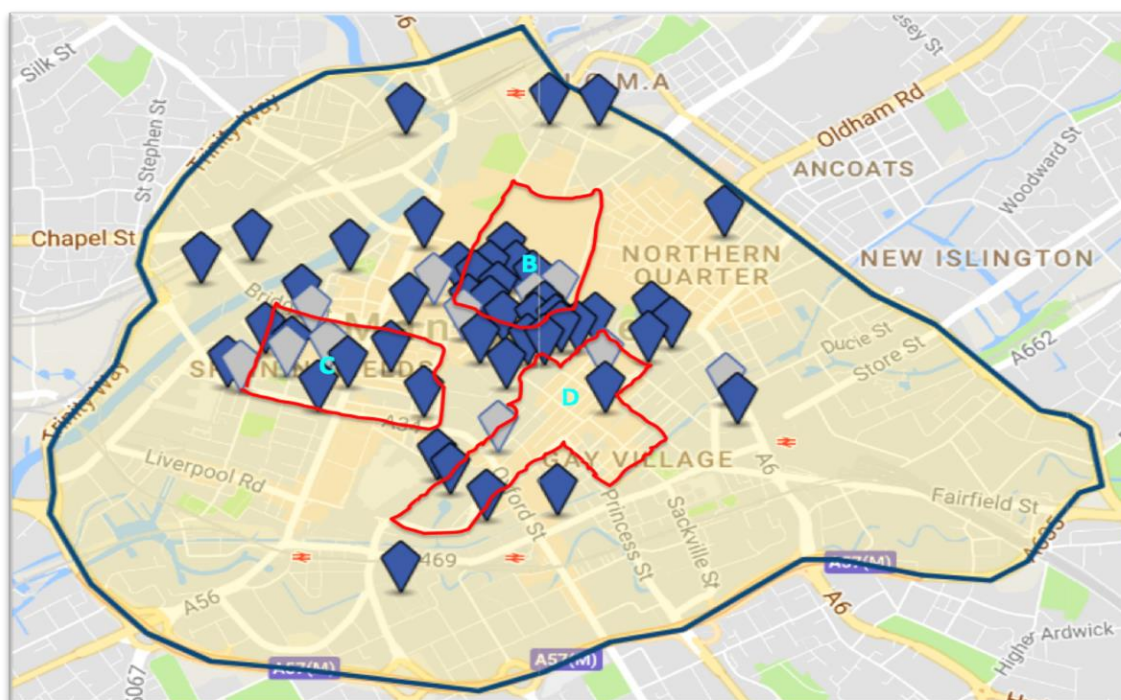
There is a total number of 79 buildings which qualified in accordance to the criteria that entail the research time period between 1967 and 2017 and 4 stars office buildings. 31 developments located within regeneration areas and 48 in non-regeneration areas were found (see Table 15), providing 569 transactions in total with 4-star rating, regeneration to non-regeneration office market.

Table 15. Number of transactions and buildings 1984-2017

Research area	Total transactions	No of building
Regeneration 4-star	215 (37.76%)	31 (39.24%)
Non-Regeneration 4-star	354 (62.24%)	48 (60.76%)
Total	569	79

Figure 14 shows the location of these office developments with three regeneration areas (B, C and D) highlighted in a red line where office developments are concentrated. There are 215 transactions which have been collected from these regeneration buildings.

Figure 14. Regeneration office developments



Regeneration Areas B, C and D that comprise respectively 10, 13 and 4 developments (Table 16) account for 27 buildings out of 31 buildings in total for regeneration areas. Area B represents the city zone of Central Retail District as defined in the 2017 city map. Two city zones, Civic Quarter and Spinningfields constitute the regeneration area C; the Gay Village and Chinatown account for Area D.

Table 16. Number of buildings in regeneration area and city zone 2017

Regeneration area	2017 City zone	Zone No	Total No	Sample office building
Area B	Central Retail District	10	10	17 Marble St (4 star, 1973) 19-21 Spring Gardens (4 star, 1981)

				Norfolk House (4 star, 1998)
Area C	Civic Quarter	8	13	4 Hardman Square (4 star, 2006) 1 Hardman Street (4 star, 2014)
	Spinningfields	5		1 Brazennose Street (4 star, 1986) 37 Peter Street (4 star, 2005)
Area D	The Gay Village	3	4	101 Barbirolli Square (4 star, 1997) 80 Mosley Street (4 star, 2008)
	Chinatown	1		- Bank House, Faulkner Street (4 star, 1971) - Hanover House, 30-32 Charlotte

				Street (4 star, 1982)

Examining the volume of the transactions in rent for the regeneration office spaces for the time of 1984-2017, the difference of the number of transactions for each office building between regeneration and non-regeneration market is slim: there were 31 regeneration buildings compared to 215 done deals equivalent to 7 deals for each building as opposed to 48 against 354 for non-regeneration ones, which is 7.38 transactions for one development. This exhibits a long-run period of sustained letting and re-letting activity, which will demonstrate the credibility of the new office developments as an investment and Jones and Watkins (1996) considered that this implies a critical mass with regard to market activity as the second criterion of measuring market maturity. This raises an interesting question about whether the insignificant difference of the transaction numbers between regeneration and non-regeneration indicates that prospective investors have deemed the office market in Manchester city centre as a whole without distinguishing regeneration properties from the mainstream market.

6.4 The Construction of a Real Estate Index

An index shows numerical change in the form of price or percentage over time. The indices constructed in this research comprise a single variable to highlight inter-submarket and inter-city differences. The single statistical series avoids a common problem of multi-variable series, which combines several variables expressed in different units or in categories of the same unit to a common scale and this standardising process could eliminate certain change factors (Horn,

1993:47). This property index comprises time-series data that presents information that depicts the changes of rental values over time. The analysis of time-series data aims to look for the patterns underlying the series, which can capture fluctuations reflecting the variable effects of time on statistical series as discussed in the methodology chapter.

6.4.1 Mean and Median

The first step of index construction is to determine the annual figure for each year, which normally refers to mean or average rental value. Mean or average refers to the sum of the values of each of the members of the sample divided by the total number in the sample; while the median figure refers to the value of the middle member of that sample. The average rental value calculated here is a mean figure. Table 17 and 18 demonstrate the process of calculating the average mean of Rental Value for each year and components used to obtain the figures. Total value of the current price is summed up and divided by the number of transactions for that year to achieve the average rental value. Take the year of 1990 for example, the total value is £58.92 divided by 5 times transactions that gives an average value of £11.78 per sq. ft in rent.

Table 17. Calculation format for Non-regeneration 4-star office Rental Value

Non-Reg/Year-Rent	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
No of transactions	1	0	3	4	4	5	5	1	1	4
Total value	6.95	0	17.95	22.12	30.75	58.2	58.92	7	13.5	36.5
Average	6.95	0	5.983	5.53	7.688	11.64	11.78	7	13.5	9.125
Non-Reg/Year-Rent	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
No of transactions	4	3	3	12	5	3	2	5	6	10
Total value	51.4	28.5	33	184.9	62	37	32.5	74.25	97.58	151.3
Average	12.85	9.5	11	15.41	12.4	12.33	16.25	14.85	16.26	15.13
Non-Reg/Year-Rent	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
No of transactions	17	22	23	31	19	19	11	6	10	17
Total value	269.8	400	387.4	585.2	379.55	321.9	193.8	116	183.5	303.5
Average	15.87	18.18	16.84	18.88	19.976	16.94	17.62	19.33	18.35	17.85
Non-Reg/Year-Rent	2014	2015	2016	2017						
No of transactions	29	35	22	12						
Total value	580.8	695	476.2	290.4						
Average	20.03	19.86	21.65	24.2						

Table 18. Calculation format for Regeneration 4-star office Rental Value

Non-Reg/Year-Rent	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
No of transactions	1	0	2	3	1	0	2	1	1	0
Total value	6.75	0	14.45	21.70	7.50	0	20.67	7	10	0
Average	6.75	0	7.23	7.23	7.50	0	10.34	7	10	0
Non-Reg/Year-Rent	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
No of transactions	0	3	1	3	5	1	4	4	3	5
Total value	0	34	12	45	61	13	69.50	71.50	51.47	100.40
Average	0	11.33	12	15	12.20	13	17.38	17.88	17.16	20.08
Non-Reg/Year-Rent	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
No of transactions	13	18	14	18	14	9	13	12	10	15
Total value	273.25	350.05	317.85	433.65	333.25	165.79	263.48	254.95	191.10	323.42
Average	21.02	19.45	22.70	24.09	23.80	18.42	20.27	21.25	19.11	21.56
Non-Reg/Year-Rent	2014	2015	2016	2017						
No of transactions	11	16	10	2						
Total value	243.28	378.52	231	49.40						
Average	22.12	23.66	23.10	24.70						

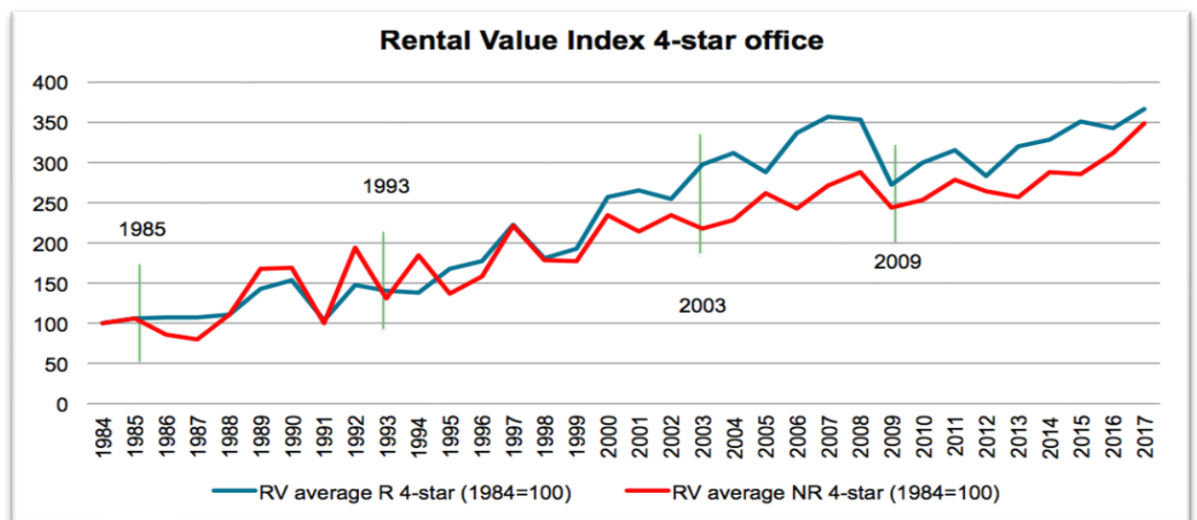
As noted in these tables, Rental Values for several years are missing, for regeneration office, including the years of 1985, 1989, 1993 and 1994; for non-regeneration, only one year, 1985 (see Table 19). To overcome this problem, these rental values have to be estimated by using the previous average rental value multiplying the rental growth of the office market for that year provided by IPD. This method could increase the level of the calculation error for accuracy but the estimated figures only take up a marginally small proportion of about 7% of total statistics used and this should not cause a significant impact on the overall outcome. In order to maximise the number of representative real transactions, the time of construction and the location of the building were the primary considerations in the selection process without taking other issues into account such as the age of buildings and rent-free periods.

Table 19. Estimated Value

Rental Value	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
RV average R 4-star	6.75	7.17	7.23	7.23	7.50	9.62	10.34	7.00	10.00	9.51	9.36	11.33
RV average NR 4-star	6.95	7.38	5.98	5.53	7.69	11.64	11.78	7.00	13.50	9.13	12.85	9.50
Rental Value	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
RV average R 4-star	12.00	15.00	12.20	13.00	17.38	17.88	17.16	20.08	21.02	19.45	22.70	24.09
RV average NR 4-star	11.00	15.41	12.40	12.33	16.25	14.85	16.26	15.13	15.87	18.18	16.84	18.88
Rental Value	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
RV average R 4-star	23.80	18.42	20.27	21.25	19.11	21.56	22.12	23.66	23.10	24.70		
RV average NR 4-star	19.98	16.94	17.62	19.33	18.35	17.85	20.03	19.86	21.65	24.20		

As explained in the methodology chapter, there is only one variable – Rental Value employed for the calculation. Therefore the equal weighted index is deemed appropriate for this purpose. The easiest way to form an equally weighted index would be to first construct the average, meaning un-weighted or equally weighted office rental values across the selected buildings, which are given in Tables 17 and 18. Effectively, the equally weighted method ignores the sales information in assigning equal importance to all the buildings. Then a value of 100 is assigned to the 1984 figure for the index £6.75 for regeneration office and £6.95 for non-regeneration office respectively, so that the figures for all other years are divided by £6.75 or £6.95 and multiplied by 100 (see Figure 15 below).

Figure 15. Rental value 4-star Office 1984-2017



Index numbers are used to measure percentage change in the index from the previous year. To work this out the following formula is used:

$$((I_t - I_{t-1})/I_{t-1}) \times 100$$

where I_t is the index in the year in question and I_{t-1} is the index in the previous year. Thus to find the growth rate from X year to Y year we first see how much the index has risen ($I_t - I_{t-1}$) then divided by the index of the previous year (I_{t-1}).

6.5 Property Cycles

The phenomenon of property cycles can be seen in the history of development, occupier and investment markets (Baum, 2010; Barras, 2009). These repeatable patterns are expressed in the form of real estate developments, rents and yields, with these in turn driving capital values and returns, which explains the close connection between rents and returns. Rents have been strongly pro-cyclical with GDP. For example, Barras (2009) showed that periods of growth in GDP above the long-term trend growth have coincided with periods of growth in rents above long-term trend growth. Then the demand side is also pro-cyclical with economic growth indicators, such as GDP growth, but the inelasticity of supply means that even highly regular demand cycles can generate irregular rental cycles. Hence rents will rise in response to economic growth, and with a static supply in the short-term rents will continue to rise as construction activity gathers momentum; but the peak in construction activity may arrive after the peak in GDP growth, and an oversupply will result (Baum, 2010:26).

Within a market economy such as the UK, the market mechanism is mainly based on the supply and demand theory with an assumption that through competition between suppliers and demanders, the actual price, i.e. market price, could go above or below the equilibrium natural price; but in the long term, the price of every commodity would reach its natural price (Smith, 1776; Walras, 1889; Dome and Kalmbach, 1996). Property cycles capture similar phenomena to business cycles (Horn, 1993). Following the similar functions, property cycles can act as market indicators to identify recurring patterns and of the changes that mark the ups and downs of the chosen property market for its market experience and prospects. This leads to the formulation of theorising its market dynamics for the chosen sector. Consequently, it is sensible to analyse the performance of the office market in Manchester in the context of property cycles. According to Jadevicius and Huston (2017), between 1978 and 2015, four cycles have been identified as follows (see Table 20 and Figure 16): 1978 – 1984; 1985 – 1993; 1994 – 2003; 2004 – 2009. They are adopted as reference cycles for the comparison between regeneration, non-regeneration office rent series as well as the office rent series for the whole of Manchester to bring out their conformity, leads, lags and respective turning points (Horn, 1993).

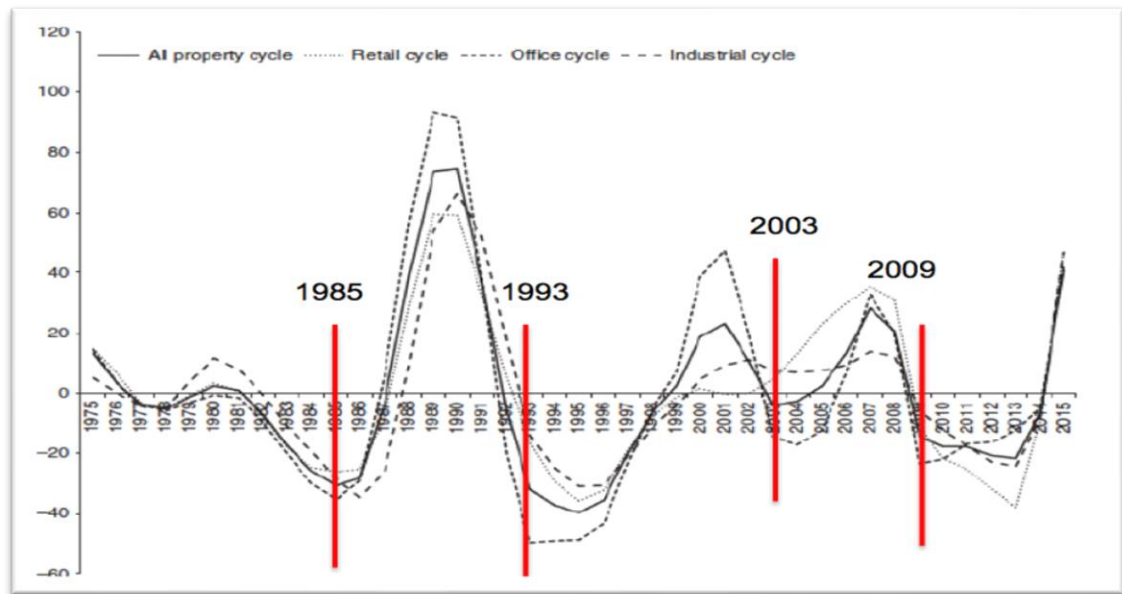
Table 20. UK all property rental series cycle timing

Cycle phase	All property		Retail		Office		Industrial	
	Year	Duration	Year	Duration	Year	Duration	Year	Duration
Trough	1978		1978		1978		1978	
Peak	1980	2	1980	2	1980	2	1980	2
Trough	1985	5	1985	5	1985	5	1986	6
Peak	1990	5	1989	4	1989	4	1990	4
Trough	1995	5	1995	6	1994	5	1995	5
Peak	2001	6	2000	5	2001	6	2002	7
Trough	2003	2	2002	2	2004	3	2004	2
Peak	2007	4	2007	5	2007	3	2007	3
Trough	2010	3	2013	6	2010	3	2012	5
Average		4		4		4		4
Average cycle		8		8		8		8

Source: Jadevicius and Huston (2017)

In this research, due to the available data, the period collected runs from 1984 to 2017, which covers the last three cycles from 1985 to 2009. The normal distribution of both Rental Values and Rental Growth is calculated in order to measure the level of investment risk for each property cycle and assess the level of economic resilience of the office market in Manchester. In a nutshell, the movement of Manchester office market displayed similar characteristics to the four cycles identified by Jadevicius and Huston (2017) with various disparities, in particular the two cycles from 1985 to 2003 showed greater volatility but became more convergent for the cycle from 2004-2009. The detailed discussion on the movement of Manchester office market is documented in the later Section 6.6.1.1. In addition, the performance of the non-regeneration market acts more consistently with their four cycles than the regeneration one.

Figure 16. UK all property rental series cycle performance



Source: Jadevicius and Huston (2017)

6.6 The Analysis Outcomes

6.6.1 Market Maturity

The discussion of this section consists of analysing the general movements of rental values and rental growth over the research timeframe to assess the maturity of the regeneration office market in comparison with the non-regeneration market. Also, consideration is given to the effect of inflation on rental values; the concepts of nominal and real value are explained. The general level of prices in most economies around the world has a general tendency to rise almost all the time, it is therefore important to ensure that prices are compared on a like-for-like basis (Brooks and Tsolacos, 2010:29). In the case of this research, the rise of rental values comprises two elements: it could be partly attributable to an increase in demand for office space and partly because of inflation. It would be useful to separate the two effects and to be able to answer

the question, 'How much have office rental values risen when the effects of general inflation are removed?', or, equivalently, 'How much are office spaces valued now if they are measured in 1984 terms?'. Real rental growth for these two sets of data was calculated and analysed. Two primary measurement criteria (suggested by Jones and Watkins, 1996) include (1) values rising to a point at which the long-run price makes private sector development viable and (2) evidence exhibits a long-run period of sustained letting and re-letting activity. Property cycles are used to identify their conformity, leads, lags and their respective turning points over time (Horn, 1993).

6.6.1.1 Rental Value

Between 1988 and 1998 (shown in Figure 15 above), Rental Values of non-regeneration properties from time to time exceeded the values of regeneration properties with a small sample size that reflects the limited transaction numbers. However, after 1998, the rental values of regeneration properties have remained higher than the values of non-regeneration ones. The average values of non-regeneration and regeneration office came really close in 1998 at £12.40 and £12.20 (per square foot) respectively; then grew to £14.85 and £17.88 in 2001; before the downturn of the last property cycle in 2008, they reached to £18.88 and £24.09 in 2007. This means that between 1998 and 2007, the growth rates of rental value increased by 52.26% for non-regeneration office market and 97.46% for regeneration market, almost two-folds. According to the Standard Deviation calculation for both markets, the regeneration market appears to be more volatile than the non-regeneration market since 1994 (section 6.6.2.3). The movement of both markets seems to act contradictorily from 1984 to 2007. Between 1984 and 1988, the regeneration market remained flat but the non-

regeneration one went down and then bounced back. Between 1984 and 1998, the curve of rental values for the non-regeneration office market seems to be steeper than the regeneration one, meaning greater changes in value. In 1995, the rental values of the non-regeneration market went down dramatically in contrast to the steadily upward movement of the regeneration market. This phenomenon also happened in 2001, 2003 and 2006. After 2007, both markets tend to behave more consistently.

Figure 17. Building of 3 Hardman Square in Spinningfields



Source: Manchester Evening News (2022)

This movement may be explained by examining the location of these regeneration office buildings. Figure 14 exhibits three regeneration areas that have the most office developments located in the current city zones including Central Retail District, Civic Quarter and Spinningfields (see Figure 17, a typical modern office building).

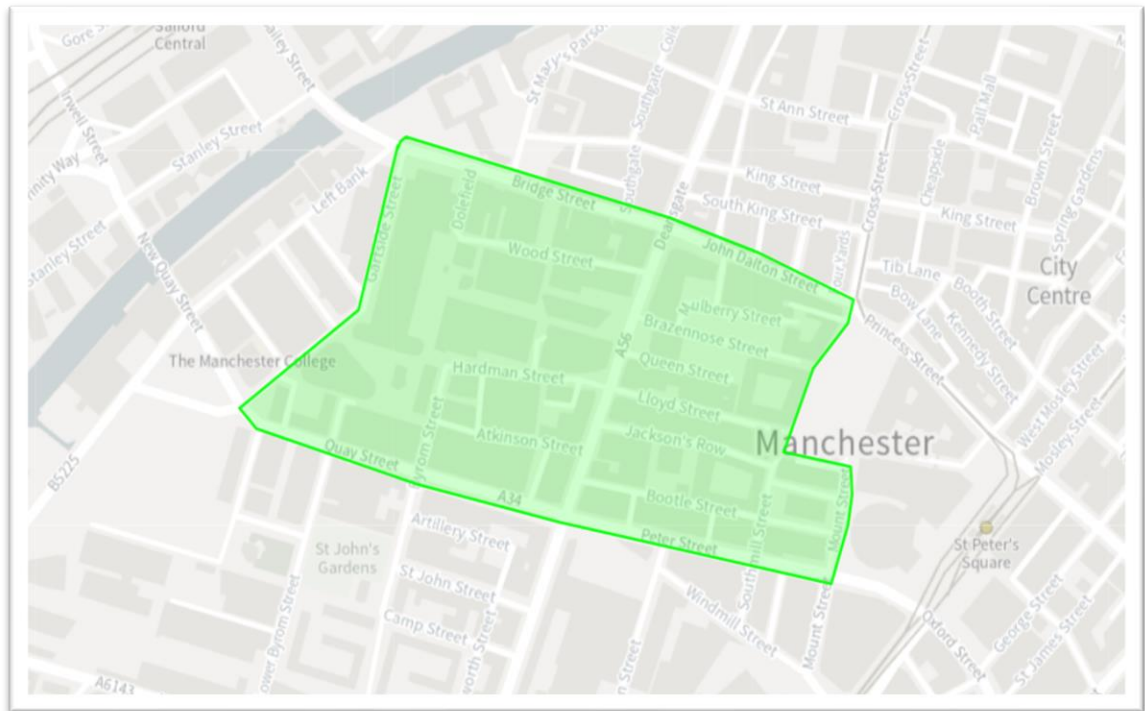
Figure 18. Outdoor spaces rented out at Spinningfields Square



Source: Manchester Evening News (2022)

Office spaces located in these city zones are classified as the prime market with one of the highest rents in the city centre. Take Spinningfields as an example (see Figure 18); the area was described in the 2009-2012 strategic plan for Manchester City Centre (Manchester City Council, 2012) as, ‘one of Europe’s most successful urban regeneration projects [and it is] the leading regional business quarter in the UK’ and ‘the biggest commercial district in the city and home to some of the largest corporations in the North West’ (See Figure 19).

Figure 19. The current boundary of Redevelopment Area C



According to one of the criteria used to measure market maturity mentioned above, rental values seem to rise to a point at which the long-run price makes private sector development viable around 1998. Since then, the value of office rent in regeneration areas has steadily enjoyed a long-lasting increase of the price that evidently looks favourable to private investors. The gap between both markets grew wider until 2009 when both sub-markets had a deep dip; however, the regeneration office market still outperformed the non-regeneration office market. Towards 2017, the gap grew slightly smaller. The supposed explanation could result from numerous new buildings being completed and added to the market stock during this period, which could have attracted more parties interested in newer and more modern office spaces.

The year of 1998 seems to be the turning point when the regeneration office market consistently outperformed the non-regeneration market based on a larger sample size of market transactions; it remains like this up to 2017 for 20 years.

This certainly is a desirable outcome to impress investors for injecting their capital in these office developments expecting a likely higher return for their investment and it may further strengthen their confidence in a positive prospect of investing in such a market. Rental evidence suggests a robust demand from occupiers and investors who are willing to pay a higher rent for the office spaces located in the regeneration areas, which is one of the most significant factors to sustain healthy transaction activities in the real estate market. This supports a sign of mature market behaviour where rental values grow to a point at which the long-term price makes private sector development viable.

To measure the gap of the rental movement between regeneration and non-regeneration property, Figure 15 above illustrates that the numerical level of nominal rental values has gone up continuously during these three cycles for both markets. For the first property cycles, the gap between rental values of regeneration and non-regeneration office markets is relatively small then evidently grew wider toward the end of the second cycle around 2000; the difference grew even wider during the third cycle and sharply narrowed after 2008. The fluctuations in rent seem to subside for both markets since then. However, inconsistent movements of the regeneration market in comparison with both the non-regeneration market and the reference cycles are noted. For the second cycle, the non-regeneration market started at a lower point in 1993, peaked in 1997 and ended at a dimmed figure to finish the cycle. But the regeneration market moved in an opposite direction to the non-regeneration market from 2001 to 2003 with an up-lift curve at the supposed downturn of the cycle. The implication of this sign could be that the regeneration market is not yet vigorously stable and less mature.

6.6.1.2 Rental Growth

Between 1985 and 2017 as exhibited in Figure 20, the growth rate of regeneration and non-regeneration office markets based on nominal rental values indicates a lot of fluctuations but seems to move towards a similar direction. Before 2001 and 2002, the movement of both sub-markets shows more volatility than the later period and the non-regeneration market indicates marginally less stability than the regeneration one. The smaller fluctuations after 2002 for both markets indicate a sign of market stabilization and maturity. This could also reflect the fact that as a consequence of a larger sample size each year since 2003, the mean has a smaller distortion caused by outliers.

The movement of rental growth during the first cycle was the most volatile among the three cycles for both markets and the last cycle the least. The possible explanation could be the market has become more mature and resilient to the changes of economic circumstances and market behaviour. Another likely reason could be a higher number of transactions available later on and this efficiency of market information increases the accuracy of data analysis.

Figure 20. Cyclical change of rental growth 1985-2017

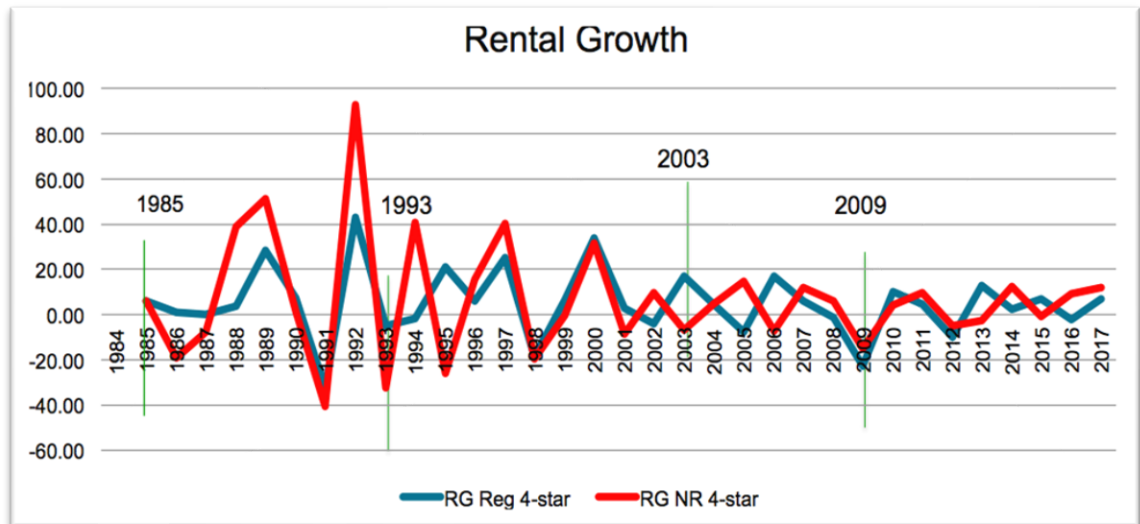


Figure 20 demonstrates some inconsistent movements in rental growth particularly between 2001 and 2007 as well as from 2013 to 2016. But the scale of fluctuations seems to be less volatile for the latter period. In general, the pattern of rental movement is becoming more stable and less volatile indicating a state of mature market behaviour.

6.6.1.3 Nominal and Real Value

While property rents appear to be closely correlated with inflation in the long run (2015, Baum, pp. 21), it is helpful to distinguish the difference between nominal values and real values. Nominal values or figures are the simple monetary values at the prices ruling at the time. Real figures or values are figures or values corrected for inflation. Thus, real growth has to deduct the inflation from the nominal growth. In order to show how much better or worse off an investment is, the nominal figure must be corrected for inflation. To do this, the nominal office rental values need to be deflated to create a series of real office rental values, which is then in inflation-adjusted terms.

A price deflator series is required to deflate a series from their nominal to real values. It is a series measuring price levels in the economy, such as the Consumer Price Index (CPI), Retail Price Index (RPI) or the Gross Domestic Product (GDP) implicit price deflator which are often used. In this research, the RPI for X year to Y year and CPI for X year to Y year are employed since they are commonly used to adjust nominal values for inflation to real values. The real price series is obtained by taking the nominal series, dividing it by the price deflator index and multiplying by 100 under the assumption that the deflator has a base value of 100. Thus, the formula is in the following:

$$real\ series_1 = \frac{nominal\ series_1}{deflator_1} \times 100$$

And here, to plot into the variable for this research is Rental Value (RV); then, the formula becomes

$$real\ RV_t = \frac{nominal\ RV_t}{RPI_t\ or\ CPI_t} \times RPI_t\ or\ CPI\ reference\ year$$

6.6.1.4 Real Rental Growth

The RPI figures provided by the ONS available from 1987 to 2017 are used to compute these rental figures with the formula above to derive the real rental growth. In order to calculate the net real growth over this period of time, since the figure of 1987 at £5.53 seems to be unusually lower than recent years and appears to be an outlier in the context of the mathematical method, the figure of 1988 at £7.33 looks more appropriate as a starting point for the purpose of obtaining a more accurate outcome. From 1988 to 2017, the rental value of the

non-regeneration office market has grown 23.47%, equivalent to a real increase of 0.81% each year; comparing to 27.62% for the regeneration market, equivalent to a real increase of 0.95% each year, an annual growth rate of just less than 1% (see Tables 21). This indicates that the regeneration market performed slightly better than the non-regeneration market and this factor could be considered favourably by investors in terms of the real profit gain through real estate investment.

Table 21. Net Rental Growth adjusted for inflation 1987-2017

Research area	Non-Regeneration	Regeneration
Total net growth (%)	23.47= $[(£9.05/£7.33)-1]*100\%$	27.69= $[(£9.24/£7.15)-1]*100\%$

The real individual rental values for each year have been presented in Table 22.

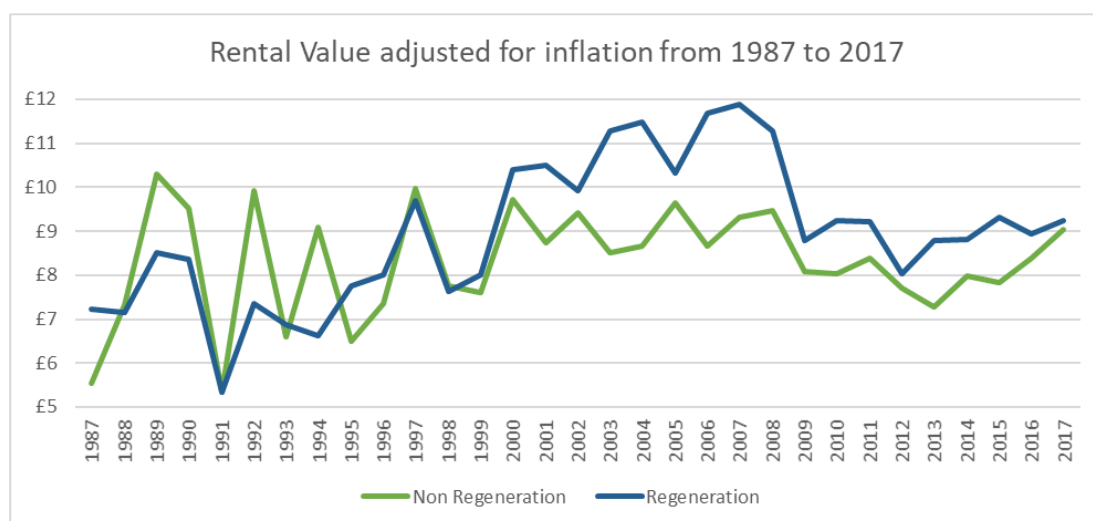
Table 22. Real Rental Value of Non-regeneration and Regeneration market 1987-2017

Real Rental Value (Year/£)	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	
RV average R 4-star	7.23	7.15	8.51	8.35	5.34	7.36	6.89	6.62	7.75	8.01	
RV average NR 4-star	5.53	7.33	10.30	9.52	5.34	9.93	6.61	9.09	6.49	7.34	
Real Rental Value (Year/£)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
RV average R 4-star	9.70	7.63	8.01	10.40	10.51	9.92	11.29	11.47	10.32	11.68	
RV average NR 4-star	9.97	7.76	7.60	9.72	8.73	9.41	8.51	8.66	9.65	8.66	
Real Rental Value (Year/£)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
RV average R 4-star	11.88	11.29	8.78	9.24	9.20	8.02	8.78	8.80	9.33	8.95	9.24
RV average NR 4-star	9.31	9.48	8.08	8.03	8.37	7.70	7.27	7.97	7.83	8.38	9.05

If the period of 1987 – 2017 is to be broken into sub-time zones, the movements of real rental value in both markets during the period between 1987 and 1996 seem to more volatile and inconsistent; however, 1996 can be seen as a crucial turning point when the performance of regeneration properties in real rental values starts superseding non-regeneration properties (see Figure 21). As

explained in the previous sections, the sample size grows significantly since 2003 and the consistency and validity of the data analysis are likely to improve accordingly. However, the limitation of a smaller sample size before 2003 could potentially distort the results.

Figure 21. Real Rental Value of non-regeneration and regeneration market



6.6.2 Economic Resilience

6.6.2.1 Resilience and Volatility

Economic variety might influence regional economic resilience and its vulnerability to exogenous shocks since a region with more diversified economic industries is less prone to shocks and more likely to recover from them (Simmie and Martin, 2010). It is argued in this thesis that the extent of economic resilience could be strengthened by the policy-induced ability of an economy (Briguglio et al., 2009) that reduces economic vulnerability together with the consideration of other externalities. Good governance is essential to provide an economic mechanism to eliminate or ease adverse shocks caused, for example, by business cycles to enhance the level of economic resilience together with strong macroeconomic stability (Hill et al., 2008; Stevenson et al., 2014). Economic

vulnerability could constitute a disadvantage to economic development and resilience by magnifying the element of risk in the growth process and increased risk could adversely affect economic growth (Briguglio, et al., 2009; Cordina, 2004).

As Zhu (2005) observed, the boom-bust nature of property price fluctuations plays an important role in business cycles and, as a result, a resilient and stable property market in contrast to a volatile and vulnerable one could be a major source of strength for the global economy, particularly during an economic downturn. The commercial property market tends to be more responsive to macroeconomic conditions and it is common to observe that commercial property prices could have a sharp decline during an economic downturn. The fluctuations in property prices can arise not only due to cyclical economic movements but also the changing perception of the risk premium with the phases of the cycle.

Through the discussions on the nature of economic resilience above, the level of economic vulnerability and stability affects the degree of economic resilience and market stability or, in opposition, market volatility. In order to measure the level of economic resilience related to its volatility and stability in a market environment, the level of the investment risk is a critical evaluation variable used widely by real estate and finance analysts. As a result, the investment risk is employed in this research to assess the level of economic resilience by calculating the normal distribution SD of Rental Value and Rental Growth that reflects the level of investment risk within the defined property cycles as explained in the next section.

To draw in sustainable inward investment, particularly from the private sector, such as institutional investors, is one of the planning policy objectives that has

been emphasized by the central government (for example, National Planning Policy Framework, 2019:23). This is because self-sustained schemes require both short-term investors, such as development companies, and long-term investors, such as institutional investors. The role of the public sector is to create confidence in a regeneration area as an investment location thereby reducing the level of risk to investors. The raising of land values and achievement of profitability are positive influences in achieving self-sustaining investment.

6.6.2.2 Economic Resilience and Investment Risk

The data are grouped into different timeframes based on the three property cycles identified between 1985 and 2009. The average (mean) rental level of the value and growth is calculated under each cycle as well as the long-run average of the same period covering the three cycles with extra years up to 2017. The next step is to calculate the SD (Lim et al., 2008) for these periods to provide information about the volatility or stability of market movements during each examined timeframe. The assumption of the normal distribution (Jorion, 1996; Higgins, 2015) is employed to analyse the results of the standard deviations derived from the data set.

For investment, return is one side of the coin; risk is the other (Baum, 2015:22) and growth reflects the probability of positive or negative return. Investment professionals, such as institutional investors, who work with a pension fund or life insurance company, use measures of risk based either on the concept of volatility or on the probability of a potential loss. Volatility is the fluctuation of returns around an average return (ibid:23). For example, one property (A) might show a 10 per cent return each year for five years. Over the five-year period, it would have shown zero per cent volatility, equivalently Standard Deviation (SD)=0, as

the actual return in each year was the same as the average return. If another property (B) has shown a positive return of 20 per cent for the first two years, followed by a negative return of 40 per cent in the third year and two further years of a positive return of 25 per cent, it would have produced the same average return of 10 per cent per annum by using the simple average but not compound basis. However, the volatility in returns would have been much greater, its $SD=28.06$. This implies the greater the SD figure, the higher risk.

Applying the same rationale of growth reflecting the level of probable return, volatility also could be measured as the fluctuation of growth for a year around the average growth over a certain period. The level of volatility in returns is usually measured in units of standard deviation, which means a measure of the average distance of each observation or data item from the mean of that data. For this research, following the same reasoning, the level of rental growth is adopted instead of returns to measure the level of volatility.

6.6.2.3 Standard Deviation and Investment Risk

It is interesting to see the average rental value of regeneration office market is higher than the one for non-regeneration office market with a level of £15.95 against £14.58 (see Table 23), even though, the average rent of regeneration office for the first cycle started with a lower value at £8.4 compared to £8.85 of non-regeneration office; however, both of the second and third property cycles witness the higher value for regeneration office rent. Since sample sizes for both markets become more meaningful after 2003, the scale of the transaction sample is an important factor that affects the strength of the analytical outcomes. However, the movement of market rents between regeneration and non-regeneration markets generally acts consistently over the time. Even though the

sample size could be an issue for the calculation concerned, the number of the transaction and the rental values are still essential aspects to mirror the market conditions and investors' appetite at a certain point of time.

Table 23. The average/mean of Rental Value for 4-star office

Average (£)	cycle 1985-1993	cycle 1994-2003	cycle 2004-2009	1985-2017
Rent/NR/4	8.85	13.6	17.78	14.58
Rent/R/4	8.4	14.54	21.58	15.95

The standard deviations of the regeneration office market (see Table 24) for the three cycles indicate that the non-regeneration office market steadily became less volatile from 2.83 reducing to 2.32 and then 1.51; however, the trends for regeneration office seem to be different, as the market became more volatile entering the second cycle and then increased during the third cycle with the figure of 1.42, 3.47 and 2.34 respectively. On average, it seems that from 1985 to 2017, the regeneration office market (6.09) is relatively more volatile than the non-regeneration office market (4.83), suggesting less resilience economically.

Table 24. The standard deviation of Rental Value for 4-star office

Standard Dev	cycle 1985-1993	cycle 1994-2003	cycle 2004-2009	1985-2017
Rent/NR/4	2.83	2.32	1.51	4.83
Rent/R/4	1.42	3.47	2.34	6.09

6.6.3 Competitiveness for Investment

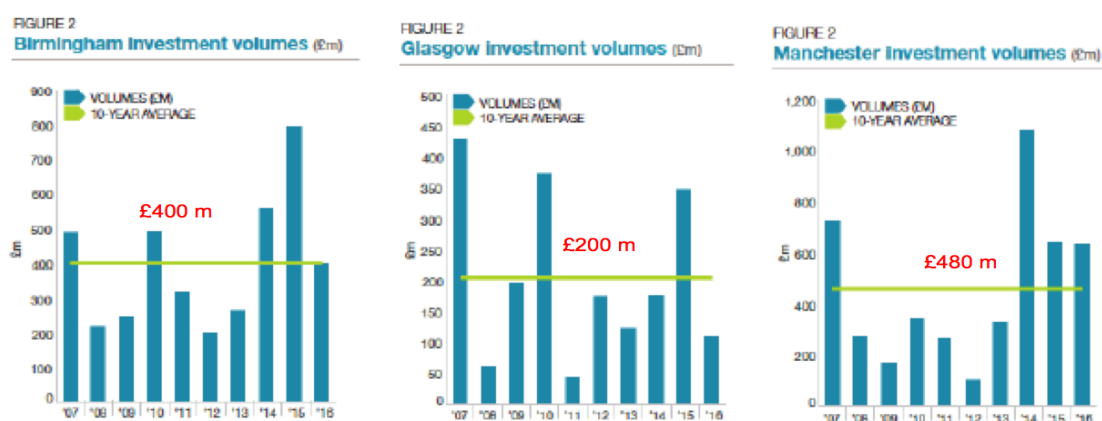
6.6.3.1 Investment Volume

Figure 22 exhibits the investment volume for these three regional cities between 2007 and 2016. After the credit crunch occurred in 2007, investment volumes of the Manchester office market suffered for relatively longer than the other two cities. In 2007, Manchester still attracted more than £700 million into the commercial property market but did not recover for six years until 2014 with

halved investment inflow; unlike Birmingham where the City's investment level bounced back to the pre-recession level at around £500 million within two years in 2010; even Glasgow, the volume of the investment by 2010 had gone back to 88% of the 2007 level compared to 52% of the investment capital in the same year for Manchester.

However, with regard to the average total investment which flowed into these cities between 2007 and 2016, Manchester secured the highest investment volume of all at nearly £500 million compared to £400 million for Birmingham and just over £200 million for Glasgow, meaning within these ten years, Manchester has received 25% more total investment capital to its commercial property market than Birmingham and 150% more than Glasgow.

Figure 22. Investment Volume for Birmingham, Glasgow, Manchester between 2007 and 2016



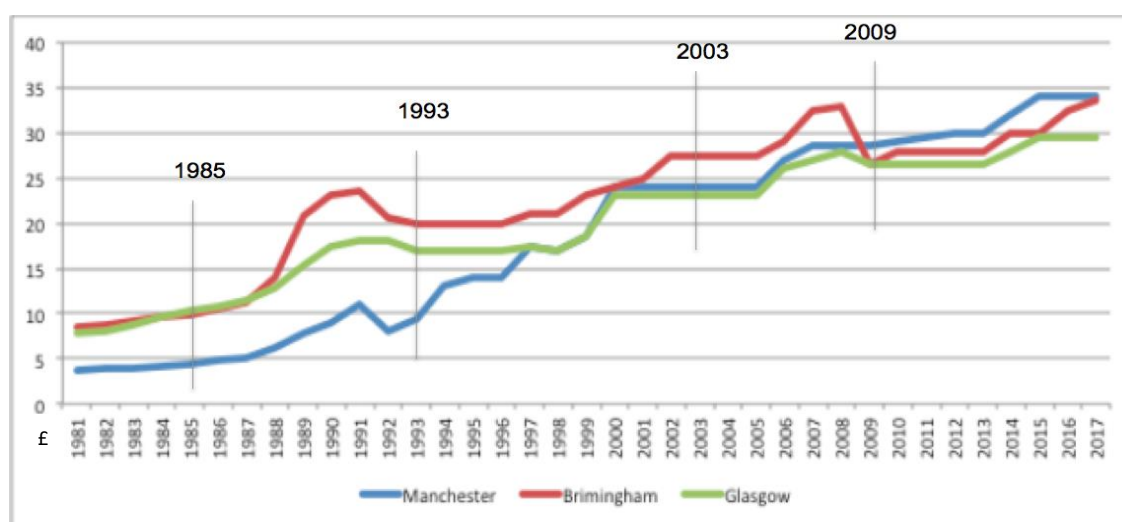
Source: CnW and PIA (2016)

6.6.3.2 Rental Value of Regional Cities

One of the measurement criteria for competitiveness is the level of rental values. The following chart explains the market movements for the three regional cities selected from 1981 to 2017 based primarily on the CBRE Regional Office Rent Index (1990-2006) comprising estimated rental values between 1980 and 1989

based on the IPD rental growth. Between 2008 and 2017, the data source uses the second half-year CBRE market report for 2017 (see Figure 23). The definition of rental value in the CBRE report is stated as, ‘the open market rental value of a rack rented property of a standard specification at the relevant date’ (CBRE, 2007). There is no indication of whether these rental values are headline or effective, provable or achievable, and what incentives are assumed. The assumption could be that they are based on headline rental values. Rental growth definition of IPD says that the annual compounded increase in monthly estimated rental values is expressed as a percentage of the rental value.

Figure 23. Cyclical changes of rental values for regional cities



It is understandable that there may be some inaccuracy of the data sets due to using the estimated figures and two different reports even though both were produced by the same source, CBRE, and the author of this research ensured that they are consistent in terms of rental values. The main purpose of examining these rental figures is to observe the market movements and economic trends, not the accuracy of each rental value.

However, in order to be as accurate as possible, the analysis is divided into three periods: 1980-1989; 1990-2007; 2008-2017 based on the data source.

1. 1980-1989: as can be seen, the rental value of the Manchester office market started at a much lower point than Birmingham and Glasgow in 1981. The similar rental gap between them remained until 1989 and Birmingham evidently outperformed the other two cities.
2. 1990-2007: the 2001 recession seems to affect Birmingham and Manchester marginally sharper than Glasgow but since 1992, the level of rental value in Manchester had caught up dramatically with the other two cities. It reached the same level as Glasgow office rent in 1997 and Birmingham in 2000 but remained slightly lower than Birmingham until 2008 and 2009. The office market in Birmingham took a heavy hit from the credit crunch and recovered slowly since then. However, the Manchester office market seemed to sail through the Global Financial Crisis without significant loss in the rental value but with a small but steady growth.

In terms of analyzing the office market, the angle has to be focused on institutional investors for several reasons. Institutional investors are important shareholders in the office market. According to the report published by the IPF in 2016, offices represented the largest sector in investor portfolios, accounting for 44% of their total holdings in the commercial property market. Furthermore, institutional investors were one of the largest office holders just second behind overseas investors. They have an influential role in the property market, particularly in the prime office market which is the focus of the data collected in this research.

The rental value of regional cities functions as an indicative figure to demonstrate the movement of rents achieved in these cities over the designated period in this research. The level of rental value in the Manchester office market reached equivalent status to the other two cities in 2000 at £24 per square foot and after 2008, the office rent of Manchester became the highest one among them (see Figure 23). From the investor's prospect, Manchester showed a better performance in rental value for a long-term period, which potentially indicates a stronger level of market maturity to secure a better position to compete with other cities for investment funds with greater confidence that Manchester is more likely to deliver a bigger growth in rent. With the proof of attracting the most inflowing investment capital to the office market, Manchester just demonstrated its greater capacity to compete with other components in terms of investment.

Again Figure 23 exhibits how these three regional cities performed during property cycles. For the 1985-1993 cycle, Manchester seemed to react to the downturn more severely with the greatest dip in the rental value but then behaved consistently with Glasgow for the 1994-2003 cycle. But for the latest cycle, Manchester seemed to be affected the least with no downward correction in rental value, which can be seen for Birmingham and Glasgow. This signals the capability of the Manchester office market to deal with economic shocks like this became better and more resilient.

Another positive sign for stronger economic resilience is to look at how quickly and well a market could bounce back after the downturn of a property cycle. After a deep cut in rental values around 1992, the speed of recovery in the Manchester office market was the fastest one among the three cities. This also applied to the recovery after the credit crunch; all three cities experienced an uplift around 2012

but Manchester demonstrated the strongest growth up to 2015. This indicates Manchester is more competitive due to its advantage of economic resilience.

6.7 Conclusion

Section 5 presents the conclusion of the findings derived from the quantitative data analysis categorized under the three measurement indicators of market sustainability with five measurement variables comprising Rental Values, Rental Growth, Investment Volume, Investment Risk - Rental Values, and Rental Value (See Table 25).

Table 25. Measurement variables and indicators

Market sustainability indicator	Measurement variable
Market Maturity	• Rental Values (RV) • Rental Growth (RG) • Investment Volume (IV)
Economic Resilience	• Investment Volume (IV) • Investment Risk - Rental Values (IR - RV)
Competitiveness for investment	• Investment Volume (IV) • Rental Value (Regional cities)

The evidence of rental value movement between 1984 and 2017 shows that the regeneration market has become more mature particularly after 1998 with steadily stable trends. This also applies to the change of rental growth even

though there were some inconsistent movements but only for a relatively shorter timespan. Within the timeframe of the three property cycles, it can be observed that the rental value of regeneration properties after 1997 became more closely aligned with that of non-regeneration properties indicating a sign of market maturity. Also, the higher level of consistency in the rental value of regeneration properties shows less volatility in price change compared to non-regeneration properties. After 1998, the change of rental growth for both regeneration and non-regeneration markets appears to track the general cyclical market movements showing the Manchester office market becoming more mature.

The fact that regeneration office rent outperformed strongly for almost twenty years indicates it could attract more investors to invest in the regeneration market, although this could be offset due to the real growth of the regeneration market looking less competitive than the non-regeneration one. The lack of sufficient property data between 1987 and 1997 shows that the office market has not reached its mature state during this 10-year period but has improved subsequently. After 1998, there seems to be more transactional data indicating greater depth of market maturity. The healthy volume of market transactions in regeneration areas suggests the improvement of efficiency in market information as well as sustainable market activities. This could also improve the confidence of future investors.

The evidence indicates that the regeneration office market is less economically resilient due to the higher possibility of being exposed to greater investment risk. But the Manchester office market as a whole seems to be relatively resilient compared to the other two regional cities based on its better capacity to recover from a cyclical downturn. The Manchester office market shows greater economic

resilience because it recovered quicker during the second and third property cycles. Also, Manchester demonstrated the strongest growth up to 2015. This indicates Manchester is more competitive due to its advantage of economic resilience.

Looking at the long-term performance during the targeted period, Manchester overtook the Birmingham and Glasgow market after 2008 and 2009. This demonstrates that Manchester became more favourable with regard to external investment competing with the other cities. Manchester proves its competitive ability to draw in investment money by securing £480 billion annually between 2008 and 2017 with one of the highest office rents among these regional cities. The regeneration office market in Manchester city centre demonstrates a positive stature in achieving economic sustainability enhanced by Manchester being an economically resilient city able to compete for investment.

Chapter 7. Economic Regeneration and Market Actors

‘...frameworks relating to both property development and urban/brown-field regeneration often fail to take account of the dynamics of market changes.’ (Dixon et al., 2011:965)

‘...it was important not to lose the long-term vision of regeneration despite market cycles’. (Dixon et al., 2011:974)

7.1 Introduction

This chapter presents the TA of the semi-structured interview data with both public and private actors who are involved in the formulation and delivery of regeneration policies as well as market actors to investigate the interplay of the state-market relation through urban regeneration initiatives in order to answer the second sub research question: how have local regeneration policies in the UK private-sector shaped and influenced the extent of economic sustainability through their interaction with private sector investors? The interviewees include the political leaders and planners of Manchester City Council, regeneration developers, planning consultants, institutional investors and several council officers from the GMCA.

The structure of this chapter is organised under three indicators of market sustainability. They are mature marketability, economic resilience and competitiveness for investment that were introduced in chapter 2 regarding the conceptual framework of market sustainability. Each indicator is grouped under the measurements proposed in the research design in chapter 4 as follows: Section 7.2, Economic regeneration and market sustainability, describes which measurements have been employed for each indicator to evaluate the extent of

market sustainability; Section 7.3, Market Maturity, discusses the role of regeneration policies to facilitate the evolution of a new property market to reach mature conditions over time; Section 7.4, Economic Resilience, explores the economic capacity of a property market to be fostered by regeneration policies during the downturn of the economic cycle; Section 7.5, Competitiveness for Investment, investigates how regeneration policies have the potential to create competitiveness for private inward investment; Section 7.6 provides a brief summary of conclusions.

7.2 Economic Regeneration and Market Sustainability

The definition of a sustainable property market discussed in chapter 2 refers to a market that demonstrates five essential features including showing proof of viable rental and capital values, being accepted by investors and other market actors as sound investment assets, attracting long-term investment from institutional investors particularly for the office market, being resilient to cope with property cycles and finally displaying economic competitiveness for private investment. Based on this definition, these elements are categorised based on the nature of market characteristics into three indicators. Firstly, market maturity investigates the movement of property value and growth, market transactions over several property cycles as well as behavioural changes of institutional investors in regeneration property within the Manchester office market in the city centre. The next element refers to the notion of economic resilience which highlights the importance of economic capacity in the property market to rebound after a recession and economic de-stabilization caused by property cycles, especially after the 2008 GFC. Finally, competitiveness for investment focuses on the

prospects of attracting continuous private sector investment into the regeneration property market without further substantial public funding to sustain it.

7.3 Market Maturity

One measurement – Code (C) The level of involvement of institutional investors in regeneration areas – was selected to assess the perception of these key actors on market maturity including the involvement of institutional investors considering any possibility to invest in the regeneration property market. For the measurement under Code (C), the involvement of institutional investors is deemed as a critical condition that demonstrates the sign of market maturity (Jones and Watkins, 1996; Adair et al., 2003) as one of the indicators for a sustainable property market because institutional investors constitute a significant proportion of commercial property market investment, including the office market and their presence in such a market ‘normalises’ the image of regeneration properties as investment commodities indicating a high level of confidence concerning future growth and performance. The impression of limited institutional capital invested in regeneration development was highlighted by some scholars such as Adair et al. (2003, 2007) as a barrier due to ‘adverse perceptions influencing investors’ pricing policies in particular concerns over a lack of rental growth and capital appreciation’.

There are four themes in total associated with the notion of Market Maturity derived from the measurement under Code (C) concerning the involvement of institutional investors in regeneration development. As delineated in section 4.6.3, the qualitative analysis of interview data followed the code manual that encompasses the predesigned measurements, the primary themes, sub-

categories, and codes. There are three sub-categories under the measurement Code (C) referring to 1-C-1: past, current experience or no experience in investing in regeneration properties that led to the emergent theme in section 7.3.1.1 The perception of regeneration investment; 1-C-2, Willing to invest in the future that led to the new theme of section 7.3.1.2 Funding regeneration development; 1-C-3, Views on policies to attract institutional investors that produced the theme of section 7.3.1.3 Policy impact on regeneration investment. Section 7.3.1.4 bestows an overarching theme entitled Decision-making process related to the overall issues of Code (C) The level of involvement of institutional investors in regeneration areas. There are some overlapping questions for other groups of interviewees related to these themes for market maturity and their comments are presented in the following section. The extent of institutional investment in the office transactions is revealed through interviews.

7.3.1 The Involvement of Institutional Investors in Regeneration Areas

7.3.1.1 The Perception of Regeneration Investment

The impression of location for property investment is often regarded as the essence for prospective investors and the perception of regeneration areas most of the time is referred to as, 'it is on its knees, it is in a poor, deprived area' and 'a wasteland' (Inst. Inv. 1). This description of regeneration areas indicates the reasoning behind the difficulties and barriers to attract people to place their money into such a property market since they might feel that a market like this is not a 'safe' environment for securing future rental growth and re-let or sale capacity. Property investors viewed location as probably one of the most important things for property investment as explained by one of the institutional investors interviewed:

I always look back to location and say, 'well, I might have a building, it could be a good building or a bad building but it is in a good location and it may have good or poor quality tenants but if the location is good, I can engineer the rest'. (Inst. Inv. 2)

Institutional investors are well known as being risk-averse and preferring prime office markets in global cities such as London and New York; as a result, they normally would ignore secondary and regeneration markets (Jones, 2013:128). This is the case for some fund managers today; however, there are signs of changing investment philosophy on regeneration property markets among the differentiated types of institutional investors who have started to emphasise on building a presence in core regional cities such as Manchester or Birmingham in order to engage more with local authorities and planners. They seem to be more open when considering putting their money in regeneration areas and show interest in getting involved in a partnership for regeneration initiatives (Inst. Inv. 2 & 3) to 'reposition some locations in regeneration areas' (Inst. Inv. 1). Different funds have different risk profiles, which make fund managers adopt a different approach. For example,

I think Aviva Investors is a house that has become much more cautious and risk averse. Now if you'd been talking to Legal & General or M&G or one of their competitors you might have had a very different result. (Inst. Inv. 3)

One of the possible reasons behind this change could be that they wish to enjoy the benefits of these properties that tend to be higher yielding and are 'smaller lot sizes' with their own liquidity function (Inst. Inv. 2). Another reason could be that they think London is too expensive and is for overseas investors who are prepared to pay the very high multiples without providing the right kind of targeted income return (Inst. Inv. 3). Institutional investors may find regeneration properties attractive and would like to get involved in the stages of regeneration development. The first scenario is that they would like to start up a regeneration project by purchasing the development site, doing master planning for the project including finding their own architect for design and drawing up the plans, looking for the developer to build it up with their own fund. Institutional investors would rarely put themselves in that position since the nature of their funds and clients inclines to a secure and less risky investment (Inst. Inv. 3). The challenge for fund managers is that the essential duty of their roles is to act as investors not developers but the requirement of involvement in a regeneration project most of the time is to make them a property developer. The second possible option is that they may provide the funding for regeneration development as a financier only and will not participate in the first stage of land acquisition or master planning but again this is restricted by the type of risk profiles for different funds, which are limited. The third one, also the most common situation, is that they would purchase the end product of regeneration development as investment assets for their portfolios, 'because clearly the institution doesn't really want to be directly developing themselves. And then what they want is a clean product at the end of it' (Developer 11). The response of these interviewees indicates that the involvement of institutional investors in the regeneration market of Manchester

city centre proves to be evident and prominent, such as in the Northern Quarter, Spinningfields, Castlefield and so on.

I guess since we have been in Manchester and they have all been to full institutional investors, so Manchester has got the ability to attract institutional investment. It is now going to expand its borders and attract Far Eastern investment which it hasn't done to date. There has been no big Chinese, Singapore, Hong Kong investment but I think that is starting to happen particularly for prime assets. The big investment has been from European. (Developer 13)

An alternative approach suggested by one respondent regarding how to attract institutional capital into regeneration schemes is to encourage local authorities firstly to speak to these fund managers who control the allocation power for the capital of the fund to finance these projects and then to involve them in the decision-making process of master-planning that allows them to voice their opinions on the selection of partner developers as a third party since:

I think the mistake the local authorities generally make is to talk to developers...rather than talking to someone who control the money...[M]any developers will get into regeneration situations, frankly lie to the public sector, where they first get the position because they promise all sorts of things which they frankly aren't capable of delivering. And really what the local authority should be doing is talking to the money and bringing the developers along as a third tier in the equation. And it is very

unattractive to us to be presented with something that is a 'fait accompli' to use the French terminology. (Inst. Inv. 3)

7.3.1.2 Funding Regeneration Development

The opinions on the possibility for institutional investors to enter into a partnership or joint venture with the local authorities for regeneration development are varied among institutional investors. Some considered the concept of involving themselves in a regeneration development could be a mismatch because,

In terms of capital, in terms of length of the holding period and time for that return, in terms of the fact that you may go into a redevelopment and it may be some years until you get any cash flow off that. That can certainly be a barrier. (Inst. Inv. 2)

Others hold a more open attitude and prefer to form the partnership with the councils from the start for involvement in the policy formulation of master plans and infrastructure phase since this looks more productive for them (Inst. Inv 3). This difference could stem from the style of the funds that are restricted by their risk profiles and consequentially their return targets. The scale of regeneration development plays an essential role in terms of creating a partnership with various types of institutional investors; for example, regional funds may be willing to invest in a smaller scale of regeneration development, but an overseas investor may be interested in a much larger scale of redevelopment such as Spinningfields in Manchester (Inst. Inv. 3). Several institutional investors interviewed have stressed that the support from local authorities to private partners is also crucial for the success of regenerating an area since this requires

the right kind of policies and governmental action to make an impact on social change, such as reducing local unemployment or gang warfare as well as improving the transport hub access in these deprived areas. The reasoning behind this lies in the consideration of the potential costs required to pay for infrastructure, amenities and public realms which are included in the calculation for the equation of a viable development project in the eye of investors (Inst. Inv. 3). Additionally, the Chief Executives and political leaders of the councils need to be forward thinking and have a vision and clear leadership, elements which Manchester is claimed to have according to these respondents (Inst. Inv. 1, 2 & 17).

7.3.1.3 Policy Impact on Regeneration Investment

The belief of the MCC regarding how to attract developers and investors coming to Manchester is to create a 'safe' environment for business and investment. 'Safe' refers to the condition, wherein businesses and investors have the confidence that they can make a profit out of whatever they do, such as real estate developments or restaurants, in Manchester. Therefore they expect a reasonable proportion of economic growth in the market. The MCC's view is that as long as they have successfully developed a desirable environment for businesses and investors, including institutional investors, they would become more willing to invest in Manchester as a whole. 'The tactic (to these problems) is to drive the regeneration to the city by bringing in new jobs, by clearing up the dereliction' (Inst. Inv. 4). These support the fact that the MCC selectively fostered the finance sector for job creation and real estate development to create an attractive place to people. How could a local government create a safe environment for businesses and investors through regeneration policies? These

policies need to offer to private partners some form of incentives such as tax relief, land assembly or land remediation relief, which resonates with the previous account associated with the involvement of a local authority to provide certain financial support being part of the 'equation of a viable development project'.

Brownfield land, the problem with it is the cost you [are] actually going to clear the land and get the site ready, and a lot of developers would not be willing to pay the money so they expect the government to do it. But then the government has no money, then the government would not be able to do it, so that is the thing why the policy is important. You need some kind of incentive to do that. (Inst. Inv. 4)

One comment expressed in the interview was that the government needed to take a leading role in regeneration initiatives because,

[P]roperty is taxed heavily. Regeneration is normally very expensive to get off the ground because you are dealing with existing occupiers and real estate that might be contaminated and so on. Why does it need a kick if it hasn't happened before? It is probably just the finances haven't stuck up. (Inst. Inv. 1).

This view was shared by another interviewee that the duty of attracting private investors into regeneration areas lies on the shoulders of the government and he sees the planning system in the UK restrict the pace of property development:

Planning is always a barrier. Planning takes an enormous amount of time, we've got sites which we would love to develop. They could deliver many many jobs, many thousands of units. We might get that but it might take a long time because planning does take a lot of time. (Inst. Inv. 1)

Indeed some investors denoted the detrimental reputation of British local authorities, 'Frankly we find the British public sector in general pretty painful and difficult to work with' (Inst. Inv. 3). However, this statement was disputed by one of the interviewees, who argued that the problem of urging to reform the planning system to speed up the process of granting planning permissions,

[It] is down to resources. There isn't enough resource to do it. The actual process, you can say it is a bit cumbersome but it is there for a reason and they could speed it up but speeding it up only means they need more resource. There has to be some degree of control and we just have to accept it, I am not a planner but even if you said we will speed the process up and this is what we are going to do in the world that we now live in, the quicker you get a process in place the next stage someone would want to do it even quicker, that's too slow we need to do it instantaneously! Well, we can't. There is due process that you need to go through. (Consultant 14)

Some property consultants also remarked on the fact that the MCC used key events quite favourably to regenerate the city, such as the Commonwealth Games in 2001 and 1996 IRA bomb. The Manchester office market has

successfully obtained institutional occupiers who created jobs. Again, they also mention that since pension funds as traditional institutions are inherently risk averse, they would only follow once a regeneration market is established. One property consultant said,

You look at Spinningfields when that was started it was out of the centre, they (developers) had to borrow money, got some funding from the Council to actually get the first phases... that is downtown, prime office space Manchester, now you bring something forward there for an institutional investor and they can't get there quick enough. (Consultant 14).

They also note that some Local Asset Backed Vehicles (LABVs) have been used as well as Greater Manchester Property Venture Fund and the Greater Manchester Pension Scheme to fund some regeneration developments, such as the project on Oxford Road (near Manchester Royal Infirmary); once the developments had been completed, the City Council sold them and recycled the capital somewhere else. Moreover, the City Council could use and leverage the lease covenants to take the occupational risk off developers in its endeavours to attract tenants to the building and the developers would build it (Consultant 14). The City Council is described as mastered in adopting a holistic approach on how to get the funds from all sources and sometimes might also use their borrowing power to fund regeneration projects. To obtain the funding, some respondents (MCC 9, Developer 13 & Consultant 15) believed that the City Council needed to demonstrate competence in outlining a very clear and sound vision on how to

evolve the city or placemaking. The efficacy of regeneration strategic frameworks produced by the City Council was mentioned repeatedly by several respondents. The important functions of these indicative documents are firstly to make sure what happens is compatible with their vision and, secondly, it is to do with de-risking a project so investors are happy to invest because they can see there is a clear way through it. For prospective investors, these frameworks normally look forward five to ten years, sometimes an even a longer period that satisfies investors and developers with certainty about future development since, 'it is to help deliver that economic and social narrative that underpins everything' (Consultant 15). From the City Council's point of view, this gives them a means to control the overall direction of developments in the city together with other forms of planning tools.

7.3.1.4 Decision-making Process

The scale of property development is an important attribute to the selective criteria of the investment portfolios held by institutions; for example, a larger fund would like to look for larger developments in a city with the scale.

The key selective criteria in terms of our decision-making especially on investment in commercial properties, which is prone to the ups and downs of the property cycles, are the occupiers, income growth and local economy. Manchester has a lot going for it in terms of the economy and is one of the British cities that really competes globally. It has a diverse economy constituting of finance, education, retail, media and manufacturing. (Inst. Inv. 1)

The institutional investors tailor their property portfolios according to the risk profile of different funds with specific allocations in what they want and can be exposed to. They normally have in-house research teams to collect market information and conduct data analysis such as financial modelling, assumptions of costs or perceived upside/downside risk and so on but also use various agents if necessary. As discussed in the previous section, institutional investors, not only purchase and sell properties but occasionally also invest in property developments, for example, a forward funding deal where a developer has obtained planning permission for a building that has been pre-let and just needs the funding to construct it. They may use their own resources to reposition their assets even if they are earmarked as regeneration areas. The type of properties and its location are not fixed requirements for investment decisions, which will depend on their client's expectation on return targets to be the best objective.

The possible private and public alliance between an institutional investor and a local authority from the fund manager's point of view would be that it is deemed 'a safe place to put our investors' money and a place where we think occupiers would want to locate and thrive in' (Inst. Inv. 1). This has been proved in the case of a regeneration development opportunity like Spinningfields, in which an institutional investor such as a pension fund or insurance company may want to take more risk on and build things speculatively only if they like the location. For the success of the Spinningfields regeneration project, the possible reasons are that it was the right timing in the property cycle and it matched the appetite of their funds so that the fund managers felt more optimistic about the prospects for economy and for that location. Accessibility to sufficient market information is also crucial for the investment decision made by fund managers; therefore, a good

local agent who could enable them to fully understand the underlying occupational story of that asset is a gold ticket for them. This market information is examined carefully in accordance with the assumptions of a specific fund for its individual risk profile that decides whether they will throw the money into that market depending on location, sector, use, prime or secondary properties and other selective criteria.

A very divergent set of investment selective criteria is proposed by other institutional investors by emphasising the ability to do the best stock pick and pricing reflecting the economic and political risk and uncertainties (GMCA 17), by looking at

all sorts of opportunities in all of those cities to find the best one. You might think that the dynamics of a city like Manchester are better than Liverpool, yes they are, but as an investor what I have to look at is, that might already be a very expensive opportunity because the price reflects all of the opportunities ...what is in the price that I have to pay so...I can take the value from A to B, that is what I can do to improve it and what opportunities there are to make money. (Inst. Inv. 3)

An open-ended fund mentioned by one of interviewees is a classic example to unfold the decision-making process when considering investment objectives and its criteria in terms of regeneration development opportunities.

Because of that open-ended nature one of the key criteria for us is actually liquidity of property so I guess in terms of linking that into regeneration and

regeneration policies we would typically not look to invest in a regeneration area until later in the day. So if you think about perhaps investing at the start alongside a local authority or just when a policy is getting going, that's something that a more long term institutional investor may look to do largely because they may have a cost of capital that is much happier to take a longer term view, I suppose for my particular fund, we may not have the chance for that long term view, we may need to recycle capital much more quickly so we would be happy to invest in an area that was seeing some regeneration but it would have to be fairly well advanced and established. So just because we would want to see that liquidity there rather than saying, 'well OK we'll make an investment today' but realistically we're either not going to be able to sell it or have a very limited pool of investors if we want to sell within 12 months or a couple of years.

(Inst. Inv. 2)

7.4 Economic Resilience

The second indicator that defines a sustainable property market in this research is economic resilience referring to a market that has the capacity to bounce back after the recession of the property cycle. The 2008 GFC exposed the fact that property markets which are heavily affected by a downturn in the cycle are normally located in cities with a high concentration of office investment and the finance industry. Since the 1980s, local authorities in the UK, such as Manchester, have employed property-led regeneration development to revive the local economy and boost up the confidence of the private sector to invest and locate companies in the city. For large regeneration developments designated

under partnership arrangements, local authorities need to negotiate the terms and conditions with private partners including developers and investors who tend to promote a certain type of property in order to match their investment criteria or expectations (Guironnet et al., 2016) reflecting their return targets and the acceptable level of risk.

These investment criteria are satisfied by converting the return and risk expected by these market actors into physical buildings that are trading as commodities in the property market. In an ideal world, given local authorities act as the legislative and managerial power through the planning system and strategic development plan, the purpose of their role in this context is supposed to assure the best use of scarce land resource as public goods, in the case of Manchester such as the regeneration development in the city centre, although in practice, this has been constrained in a reactive planning system such as that found in the UK. Since the viability of financing and implementing regeneration projects incrementally relies on private partners including developers and institutional investors who seem to have more weight on the decision-making for the type and specification of property, the specified and constrained options on master-planning may possibly undermine the capacity of the local authorities to act according to the 'best use' principle in this particular way by these PPPs for regeneration. Additionally, these cities are very likely to be a financial centre at the regional, national and even global level, which requires a substantial quantity of office space, which dually are the favourable investment objects of finance institutional investors, such as pension funds or insurance companies. The equation of property investment concentrated in the office sector with their investors who are primarily financial institutions points out the great possibility of higher exposure to systemic risk

among the downturn of an economic and property cycle due to the adverse effect of lacking economic diversification, which consequentially would weaken its economic resilience in the long run.

Two key measurements – Code (E) The effectiveness of local governance and Code (F) The effectiveness of local political leadership – were employed to investigate how the indicator of economic resilience reflects the effect of the interplay between regeneration policies and Manchester office market to reach a more economic sustainable market condition. Each measurement has its sub-category set: Code (E) comes with Sub-category 2-E-1 Public and private partnerships; Code (F) includes Sub-category 2-F-1 Creating a vision for Manchester, Sub-category 2-F-2 Delivering the vision via regeneration, Sub-category 2-F-3 Self-assessing impact of regeneration on property market, Sub-category 2-F-4 The effect of the MRR and Northern Powerhouse. These sub-categories then resulted in the new themes described in the following: section 7.4.1.1 reflecting the issues for Sub-category 2-E-1 Public and private partnerships; sections 7.4.2.1 concerning Sub-category 2-F-1 Creating a vision for Manchester; sections 7.4.2.3 and 7.4.2.4 relating to Sub-category 2-F-3 Self-assessing impact of regeneration on property market; section 7.4.2.5 associating with Sub-category 2-F-4 The effect of the MRR and Northern Powerhouse.

7.4.1 The Effectiveness of Local Governance

7.4.1.1 Economic Resilience and Mutual Learning on Risk

The MCC has been heavily dependent on property-driven regeneration initiatives for decades and at the same time has been endeavouring to foster the finance industry in the city centre by constructing numerous large office developments in designated regeneration areas. These regeneration projects are mostly

implemented in a form of the PPPs with certain differentiation due to the changing requirements of each individual project, although the essential nature of these partnership arrangements more or less remains the same. Interviewing key market actors who design, implement or provide advice in relation to the policy formulation of regeneration strategies and plans could help shed light on the interaction and complicated relationships within these networks among public and private actors involved in regeneration development in Manchester. The analytical framework of this research adapts the model of planning instruments suggested by Tiesdell and Allmendinger (2005) to explain how the planning system could shape, regulate and stimulate market behaviour as well as build the capacity to do so by adding another factor that investigates the interplay between local political leaders/politicians and the council planners within the decision-making process on formulating regeneration strategies and local plans. The focus is specifically placed on the 'mutual learning' (Faludi, 2000 quoted in Adams & Tiesdell, 2010) among the key market players in the setting of the 'regeneration regime' through partnership arrangements involving key developers, prospective investors and the MCC.

The concept of the mutual learning proposed by Faludi is based on the assumption that spatial planning is not perceived as merely a technical process of producing material things but rather a process of mutual learning involving interaction between a multitude of actors where the local authority provides indicative guidance to private partners and both public and private actors validate the action plans through negotiations. Large regeneration developments normally require vast powers and resources vested in the hands of local political leaders and the council planners who critically control the direction of policy making and

development strategies. The understanding of spatial planning and market behaviour perceived by policymakers and planners in the Council could be moulded and shaped by private market actors through this mutual learning process during the negotiation exercise with their private partners on the purpose of delivering regeneration developments. The case of the Spinningfields development gives an excellent demonstration on this 'soft process' of planning as a learning notion. Fostering the new economy in the finance and professional industry has been one of the objectives for Manchester's City vision as a regional economic centre in the North. During the 1990s, in order to help job creation and attract such businesses to move to Manchester, the Council leaders decided to have more office buildings with large floor and open-plan design in the trend at the time in the city centre but realised that the existing core CBD could not satisfy these requirements, so they looked at the Spinningfields district.

One London developer called Allied London bought a large property called Cumberland House with the intention of transforming this asset into something that would not only bring commercial success but also help improve the image of the area through quality design. Since at the time Cumberland House was occupied by the education department of the City Council as the tenant, Allied London then approached the Council as the landlord to express their intention to redevelop this block. Through this contact, the Council and Allied London learned that both parties could turn their interests into a joint venture to achieve both of their ambitions.

It suited our interests as an office tenant, it suited our purposes in terms of trying to promote a business district, it enabled us to create a site for a

new magistrates court and it enabled Allied London to turn an asset where all the tenants were leaving into one that was attracting new tenants. (MCC 9)

Both parties mutually learned from each other in this regeneration exercise, 'so what we did was a lot of master planning with Allied London to make sure we got the mix of uses right' (MCC 9). From the Council, Allied London learned the operational mechanism of the planning system and the objectives of the SRFs as indicative guidelines; from Allied London, the Council learned the logic of market behaviour and expectations of occupiers and investors who are led by commercial logic in their rationale but are not necessarily attracted by joining in a regeneration partnership (Developer 13). One developer who was interviewed observed what private partners could better offer to the Council was to learn their vision on the project,

The vision was to actually reposition the business infrastructure to provide Manchester with infrastructure for financial service, legal professional, accountancy businesses that didn't exist... I could build a story that is actually big enough to create investment. It's all about telling a story, it's all about the facts behind the story. (Developer 13)

But one of the councillors interviewed took a different stand and stressed that,

like Allied London they invest in cities all over the world but what we have to [need to] do is to make sure that the investment they want to bring into

Manchester is part of that picture of Manchester. We spent a lot of time working on what is Manchester going to look like, what is the objective so we always have a very clear strategy. (MCC 6)

However, this mutual learning exercise through planning has not covered the discussion on the possible impact of policy-led property developments in the light of exposure to investment risk and economic volatility during property cycles that are all relevant to ensure economic resilience of the property market.

7.4.2 The Effectiveness of Local Authority Leadership

7.4.2.1 The Process of Formulating ‘Manchester Vision’

From school of thought in institutional and behavioural economics, Adams and Tiesdell (2010) contended that the role of the planners as market actors should involve ‘framing and re-framing property markets’, which are seen as socially constructed. The authors have argued that the attitude and consensus among the local authority planners has shifted towards the pro-market approach not only by the increasing number of employed partnership arrangements but also the encouragement and pressure from the pro-market local political leaders through, for example, the economic and regeneration strategies. To formulate, agree and finalise the policy decisions requires effective political leadership of the local authority. The responses of several interviews confirmed that the local authority, in particular its political leaders and Chief Executive, could play an essential role as an intermediary to exchange ideas with key developers not just on market-oriented know-how for trading and investment but also on visionary concepts of place-making. One of the developers interviewed claimed,

The public sector in Manchester (referring to MCC) may have an idea or vision to develop something or develop an area. But I would say more often than not, particularly with us, we've actually given them a vision which they have adopted and evolved and marketed. (Developer 13)

The evidence of these interviews indicates that the key stage of policy formulation and plan-creation demonstrates how the power of the political leaders might erode planners' capacity to produce the city plans and strategies rooted in the values they are professionally trained to believe, since the vision of the Council's strategic plans was largely influenced by individuals such as the Council leaders, for example, during the 1980s to 1990s, Sir Graham Stringer, since 1998, Sir Richard Leese and Chief Executive Howard Bernstein who has retired in 2017 (MCC 5). One response recalled a development proposal did not get the backing of the Council's leader,

If he (*referring to Sir Howard Bernstein*) doesn't like it, well not him personally but if the politicians for whatever reason don't like it, you won't get it, they won't break the rules, but my god it will be hard for you to do it. (Consultant 14).

The resistance does not end there since if a developer somehow obtains the planning permission for a development not fitting into the big picture of regeneration strategic frameworks, the development could stand there isolated,

...there will be a number of people that won't go anywhere near it because they won't want to be associated with something that the Council or the public sector and the "Manchester family" weren't interested in.
(Consultant 14)

7.4.2.2 Delivering the Vision via Regeneration

To deliver the vision through regeneration development, the MCC promotes the application of regeneration strategic frameworks, which pitch a proficient balance of complying with national policy and at the same time are flexible to accommodate local needs. These frameworks are written in a fashion that combines the general principles of national planning policy with a localised interpretation of the relevant planning issues. It is for the planning authority to determine the material weight to apply to its own policies. Since a framework is only indicative not mandatory as a formal consent, this gives the Council room for manoeuvre if an approved proposal is deemed unbefitting and the Council can withdraw the agreement and revert it back to general policy. To aid perception of these frameworks, developers are given clear signs regarding what kind of developments in terms of use, location and design the Council sees favourable. This guarantees a level of certainty for the possibility of obtaining planning permission so long as the developer secures the backing from the Council. The drawback is this could likely restrict the diversity of various development ideas and developers.

It (a framework) is far more cost effective, it's far quicker and it lasts a lot longer. The downside is that because it is not actually a consent, it's a framework, the downside for the developer and the upside for the Council

is that the Council can if things go wrong in its view, it can decide to disregard the framework. (Developer 12)

The strategic frameworks also act as a tool to deal with complaints against the Council rejecting certain development proposals. One councillor explains how it works:

For other things, we will respond very badly to and in fact probably we will turn them down. Because if you do that through public consultation, the document acquires the validity that allows you to turn an application down. So when you turn down an application and they appeal it to the government, and the government will look at the strategic framework and say 'you knew that you will have to be turned down'. (MCC 6)

He believes that this approach satisfies everyone's interest:

So we created a shortcut for people who are doing what we want and block people who are doing what we don't want. That has been done with the public consent. There has to be a consultation process. It could take some time to go through the process, sometimes as long as two years but this is in everybody's interest. (MCC 6)

Studying the case of the Noma scheme unveils the implementation of regeneration strategic frameworks as well as how the Council facilitated the process of applying for the European Regional Development Fund (ERDF) Grant

for this project. This regeneration project which aimed to revitalise the northern area of Manchester city centre, where the Co-op headquarters was and still is situated today, was called Noma and announced in 2011. This initiative was a joint venture between the City Council who owned the land, Co-op as the institutional occupier, a private developer and pension funds. Most of the public realm space, including the new parks and squares in Noma adjacent to the Co-op development site were funded by a ERDF Grant. One of the partners who participated in this scheme explains,

So what happened was that the Council makes the application and because we had the advantage of the ERDF funding (that) had been changed slightly so that although you needed to go through an open procurement process, the ERDF had allowed for large scale general allocations into regions so the North West of England had a large amount of money... which they had a degree of discretion as to how to allocate it so you didn't have to fully apply in through Whitehall to Brussels for the money, you applied kind of locally. You had to comply with the procurement rules so you know free market, open tender procurement rules to guarantee that all European businesses had equal opportunities to benefit from the construction work but it was a relatively local decision making process, so in effect what the Council was able to do was...to say to the Co-Op, we are confident we will be able to get that funding for you provided that you tender openly and all that kind of stuff so that you can start with confidence. (Developer 12)

The backing of the MCC boosted the Co-op's confidence because the scheme was guaranteed by the local government to ensure its delivery and therefore the Co-Op was able to start developing its building in advance of receiving final confirmation on the ERDF money, which was one mechanism for a joint venture.

7.4.2.3 Regeneration Strategies and Market Force

Economic growth is commonly the central focus of regeneration strategic frameworks at the heart of policymakers of the MCC, where market force is not the primary consideration to draw up a strategic plan (MCC 5). A typical example of this is the prevailing pro-growth policy encouraging and welcoming development proposals for constructing office buildings with larger floor and open-plan space, seen from around the end of the 1990s since this was an international trend for the type of office building that large finance, accountancy or law firms would like to occupy. In order to help job creation and attract businesses to Manchester, the City Council then put up the SRFs to facilitate such property developments, Spinningfields development being one of them. In order to supply more modern office spaces in the city centre demanded by the financial and professional firms, the City Council decided that,

[T]he problem with the core central business district is the office buildings in that area had very small floor plates and at that time the trend was for much larger floor, big open plan offices with large numbers of employees on each floor, that was an international trend...so we had looked at the Spinningfields districts and what we saw was a lot of redundant office buildings that weren't very popular and a developer came in at that time called Allied London Properties, and Allied London Properties were very

interested in taking the Council's ambition to create a new business district and they were prepared to buy up land in the area in order to support the Council's policies so we identified Spinningfields as a new business district. (MCC 9)

One respondent claims that regeneration strategic frameworks with the focus on property are advantageous because they work well with the nature of economic cycles that have periodic fluctuations in five, seven maybe 10 years' time span.

So if you are looking at a longer term project, somehow it is going to take 10 or 15 years like Spinningfields or Mayfield or anything like that, having an outline planning permission that covers the whole site, you are pretty much guaranteeing that it's not going to give you the type of solution that you want five years down the line because things will have changed so much. A framework is far more dynamic, it is a bit more general, it allows you to kind of tack and move with the economic winds a lot more effectively. So a developer coming in can spend less money, they can start with confidence. (Consultant 12)

In order to assure regeneration development permitted by the Council would be completed, sometimes the Council, complying with legislative requirements, may approach the Greater Manchester Pension Fund (GMPF) in its mandate for development money to fund this project.

For this aspect, one successful example is Number One St. Peter's Square, which started on site in the last recession; the developer was able to start

construction during the recession when normal funding was not available and on the back of a pre-let to KPMG which was for only 25% of the building, because in a normal situation a bank would want to see about 60% of the building pre-let before they would give that developer good terms. This case displays a win-win situation both for the developer and City Council since ‘...by GMPF coming in as a partner and providing that capital we were able to build that building which for the Council was important because it meant that as Manchester and the UK came back out of the last recession, we had great quality new office stock available’ (Developer 12). In the construction sector, because the common practice is that developers wait until the recession is over, and then start building, it would take two years for the new buildings to happen. The implication of the case at St. Peter’s Square is that they are already ahead of the curve and people will have made locational decisions in that gap when they got property available but others did not.

The regeneration development of St. Peter’s Square was initiated by the City Council who put everything together by selecting the developer, bringing in the pension fund and sorting out the land ownership. Even though the Council does not sit in the driving seat directly to push projects forwards, they usually stay very active because they may not have money available themselves but crucially they have regulatory power on planning such as Compulsory Purchase Orders for the purpose of land assembly. It is true that every local authority in the UK possesses this power; however, ‘Manchester was the first to actively go, “right we are going to step in here and we are going to start making change”’ (Developer 12). There is one aspect of regeneration development beyond the control of the City Council and that is the level of property values normally determined by the market

mechanism. One developer interviewed shared his market philosophy on this, for example,

...in office values, we provide the right place, we provide the right specification and we will always be the best rent, because we are the best. What does the market want, what is the market going to pay for? ...if you give the market what it wants, the market will pay. If you don't give the market what it wants, it will go. (Developer 13).

7.4.2.4 Economic Resilience, Property Cycles & Recovery

Since property markets are prone to cyclical changes, the implications of market sustainability also demand that a market is capable of coping with property cycles (Jones and Watkins, 1996; Jones et al., 2010:151) to demonstrate its capacity of economic resilience reflected through investment risk. One of the councillors interviewed stated that the Council relied on their beliefs and visions for the future based on 'some' information and market evidence but was not sure this was 'sufficient' or 'thorough' in terms of understanding how the markets or property cycles work in the big picture. His assumption was that if the environment created was right, everything else should follow indicating a top-down approach. From the interviews, one could attain an impression that policymakers position the market force while formulating strategic frameworks, which is based on the belief that if they get the vision right, the market will follow. On this matter, institutional investors display a clear understanding on how property cycles work.

Commercial property is prone to the property cycles but for it, the most important factor is the occupier. The yield does not matter so much. It is

all about the occupier and income growth and behind that is the economy.

(Inst. Inv. 1)

Therefore, their funds have allocations in what they want and can be exposed to the risk profiles targeted. They would set up on a risk basis in accordance with a fund's requirement. Then it is down to having appropriate investment in a mix.

From the view of the developers, they would take the risk if they think the city or the area gets a story that could be used to sell the buildings to investors. Additionally, they would weigh their decisions on the profits they could obtain at the moment they sold them not for the long-term holding strategy. Only for the ones they lease out, they would need to consider how to get the tenants, particularly in the retail sector. It is important for a place to be able to sustain sufficient people who come to the city to work, visit, live and shop. Some property consultants observed that the Council used their land and land values to invest in regeneration, such as Spinningfields. They purposefully purchased the site for the intention of regeneration. They thought that the MCC only focuses on kicking off regeneration developments at the first stage before handing them over to developers who will consider all the market factors themselves such as property cycles and risks. This is how the City Council handles and indirectly manages future investment risk and their main focus is on job creation, '...you see things such as these buildings out here, One St Peters Square and St James House it will happen. Those have major institutional occupiers in, that creates jobs.'

(Consultant 14).

The 2008 Global Financial Crisis sent the property market in Manchester just like the rest of the country in the UK into a deep and recessionary downturn of the

cycle. This economic shock highlights the prominence of urban economic resilience defined by Drobniak (2012) 'to bridge the concepts of urban places and economic resilience, which alludes to the capacity of a city's economy to maintain or return to a pre-existing to shock level of growth, or completely change the economy structure and reach the previous level of growth at least – after experiencing external shock (p. 7)'. The observation of market recovery after the 2008 crisis in the Manchester regeneration market seems to be promising and optimistic.

It was fine actually if you look at the transactions within the refurbished office market then it actually stayed very resilient...I think the fundamentals of people living in the city, businesses being there, and I suppose having in the period up to that started doing all this work around diversifying the business base and bringing people to the city and investing in infrastructure, improving neighbourhoods helped to support and make Manchester more resilient than other places. (Consultant 15)

Facing this catastrophic economic disaster starting from 2008, the City Council actually admitted that even though they think they kept an eye on everything happening in the city including the market movement and local economic dynamics, they did not foresee this coming. Therefore, when they realised the severe impact of this recession on the survival of regeneration development, they intervened.

[W]e buy the best advice that we can afford... we took a very property savvy approach to this, we kind of worked out we had to build a sustainable market, we didn't want our market being flooded with a lot of grade A office space all at the same time, so we started to use our land interests which are very significant to control the pace of development through each of the economic cycles. Now the one we didn't control is the one that happened in 2008 because it was so catastrophic, however we did intervene... In Spinningfields for example we bought two buildings off our partner and he used the receipt that we created [give him] to reinvest in the next phase of development. (MCC 8)

In terms of the Council's endeavour to build a sustainable market, firstly it is necessary to use central government very wisely to create the conditions, adding incrementally to the asset base. To do all this, one must understand the dynamics of the market at any point when seeking to work in a particular location; therefore, when the Council prepares strategic frameworks it must have the mindfulness of the vision of where the city will be in 20 years' time but the market doesn't do that since it is very bounded by the economic cycle. This knowledge has been derived from the in-house research team recruited by the MCC as well as market reports provided by private consultants. The duty of the City Council is to take the responsibility of rebuilding your city very seriously after the city experiences a prolonged period of decline (MCC 8), even though,

There will be actors and actresses in the market who will feel they may not be getting their fair share or opportunity or whatever but that is what good

leadership is about, it is about taking tough decisions, seeing the big picture, being able to play the long game and you have got to look at, the development cycle is four to seven years at best, we are looking at it beyond two and three cycles all the time. (MCC 8)

7.4.2.5 Economic Resilience and Economic Diversification

One of the objectives under the 2025 Vision for Manchester closely indicates the direction of this city's economic development strategy, which is 'the city will have a competitive, dynamic and sustainable economy that draws on our distinctive strengths in science, advanced manufacturing, culture, and creative and digital business – cultivating and encouraging new ideas' (Manchester City Council). Cities with the trait of dynamism would display greater economic resilience and recover more quickly in the aftermath of shocks, such as recessions. Property investors would be wise to weight their portfolios toward cities on the prevalence of dynamism, for example, having diverse economic activities and industries where 'Labour market resilience confers resilience to property markets' (Huston and Warren, 2013:82), in order to mitigate investment risk by benefiting from 'spatial risk diversification' or 'economic diversification'. The Council's intention to cultivate and encourage new ideas in their vision statement was in the hope that this approach would foster and create a diverse economy comprising heterogeneous industries and sectors that generate economic diversification. A large proportion of respondents perceived Manchester as a diverse city with an economy not overexposed to one area. '[I]t has been about a big part of that has been about investing in the infrastructure in the city and part of that is diversifying, focusing on high added value growth sectors in the economy and trying to diversify,' (Consultant 15) and by comparing to other regional cities, one

controversial but interesting comment from the investor's perspective as stated, 'Birmingham doesn't quite have the diversified tenant base that Manchester has.' (Inst. Inv. 2)

And in the same way that we talked before about the credit crunch, the population growth, the investment that has been made in infrastructure, the progress that the city has made in terms of its lifestyle offer, the diversification of the business base, the institutions, all of these kind of ingredients I think will give it (Manchester) a certain amount of resilience so I think it's well placed to ride the rough and the smooth. (Consultant 15)

When discussing how the City Council searched for policy strategies to tackle economic challenges and the role the city centre could play in this scenario, one of the Council's officers interviewed explained,

The importance of our city centre, the importance of moving away from an industrial driven economy to a post industrial economy with a diversity of employment...and you fast forward this over a 30 year period and what we have done as a city is start to understand how you make markets, how you create markets, how you build investor confidence in your city, how you play to the city's strengths and in economic terms, so across that 30 year journey we have started to understand what levers needed to be pulled, what role the City Council would have to play in creating the right conditions for somebody to invest in our city and there are actually quite

short answers to lots of these questions because we made it our business to understand how the market works. (MCC 8)

Economic growth has been the policy focus and incorporated into the city's economic development plans. The notion of economic growth has been discussed in the lens of stability, which does not promote a greater increase but a flat but steady trend. Applying this concept to the property market and development, this could have some advantage,

...a period of lower growth is actually OK as long as it stays stable. The thing with that is if you have a period of sustained low to medium growth then you are going to get the innovators and the people that are doing really good things will be the ones that thrive and the people that are doing mediocre things will struggle... the best/fittest will survive in those circumstances... The peak and trough stuff, it is actually the market that is dictating success. (Developer 11)

7.5 Competitiveness for Investment

Building on the similar principle above, three measurements – Code (D) The perception of city image for investment and businesses, Code (E) The effectiveness of local governance, Code (F) The effectiveness of local political leadership – were applied to assess the degree of city competitiveness for inward investment from the private sector. The sub-category under each measurement entails: Code (D) – Sub-category 3-D-1 City image of Manchester comparing to other regional cities; Code (E) – Sub-category 3-E-1 Public and private

partnerships; Code (F) – Sub-category 3-F-1 Competing for resources from central government, Sub-category 3-F-2 Competing for private investment, Sub-category 3-F-3 Job creation and fostering new industries. Each sub-category produces a new theme: Sub-category 3-D-1 for section 7.5.1.1 Manchester as a competitive brand for economic prospects; Sub-category 3-E-1 for section 7.5.2.1 Manchester Regeneration Regime and public-private partnerships; Sub-category 3-F-1 for section 7.5.3.1 Attracting funding from central government; Sub-category 3-F-2 for section 7.5.3.2 Competing for private investment; Sub-category 3-F-3 Job creation and fostering new industries.

7.5.1 The Perception of City Image for Investment and Businesses

7.5.1.1 Manchester as a Competitive Brand for Economic Prospects

The concept of the entrepreneurial city associated with local boosterism (Quilley, 1999) witnessed in Manchester highlights the phenomenon of globalisation constraining local economic strategies to compete for ‘a place in the world’ (MCC 6) with other ‘global cities, ‘I think we have to stand up for the city because you know how many cities in the world are bigger than Manchester, if we want to compete we have to attract the attention for good reasons we have to sell our stories very very vigorously’ (ibid.). What are these ‘good reasons’ for Manchester to catch worldwide attention then? The broad description to answer this question is that the City Council aims to create a safe environment and right conditions for businesses, new start-up entrepreneurs as well as a city which is deemed an attractive place for people to live, work, shop and be entertained.

Several respondents credited the MCC for its seemingly positive city image crafted over a lengthy period of time partly because ‘it (Manchester) has had more support because it is the place that has managed to get its act together, it has

managed to have coherent policy approach, stable strong leadership, City Council' (Consultant 15). They have been clever with their vision for the city (Developer 13). The Council takes on a role of City brand manager to market Manchester as the city of pro-business and investment,

I think for investors it is the message has always been it is very much open for business so as a place to come and invest you are not going to get messed around with politics and bureaucracy it has strong leadership, clear vision and it is a place that is open for business so come and invest. (Consultant 15)

The Council encouraged interested market actors who share its vision to participate in the process of place-making, 'We invested in Manchester to progress the city. We invested, our sort of big macro rationale was to move Manchester to somewhere it wasn't.' (Developer 13) The elements of development strategies, referred to above, encompass a big part of investing in the infrastructure in the city and another part of that is diversifying, focusing on high added value growth sectors in the economy, such as financial and professional services (Consultant 15).

One London developer explained why he rates Manchester higher than Birmingham in terms of city image for investment, he said,

Birmingham for me, it hasn't got a culture... it counters what you can do in the city, it's not a region either. Manchester is the capital of the North West

region, the capital of 7.5 million people. Birmingham isn't the capital of anything. Manchester is a brand, for me it is a brand. (Developer 13).

This view has been shared by one of the institutional investors from a different perspective, 'Birmingham is obviously a key competitor to Manchester, I suppose Birmingham doesn't quite have the diversified tenant base that Manchester has... it doesn't have as strong leadership perhaps as the MCC has,' but the geographic location of Manchester may make it behind Birmingham in the league table, 'I think Birmingham has upped its game. You know transport, connectivity is pretty good to Birmingham, it's a little bit closer to London, so journey time is much reduced versus going to Manchester' (Inst. Inv. 2). Another respondent emphasizes the importance of being 'vibrant' and 'attractive' as a place as the positive impression for investment,

...in terms of what has happened across the city centre and you can tell from the shops and restaurants and hotels and everything in Manchester, it is a vibrant place...I think Manchester gives me the feeling that is attractive, I have been in Birmingham a few times, it doesn't give me that lovely feeling, even walking around it is difficult, it's not that attractive. (Consultant 16)

Compared to Leeds, another regional city in the North, most people in the 1970s from the North would comment that Leeds and Manchester were similar cities by considering Manchester being the main business hub for the North West and Leeds being for the Yorkshire region, but, 'if you compare the two now,

Manchester is quite significantly ahead of Leeds in terms of its rent, its values, both commercially and residentially and has a much more vibrant city centre than Leeds. Leeds is trying to catch up but it is several years behind' (Consultant 16). But Leeds has its potential for development because 'In Leeds there is a great culture, there is this Yorkshire culture, there is a big industrial culture that you can build on and grow on,' (Developer 13) but the element of regional cultural hub seems to be missing for cities such as Liverpool and Birmingham. Having an 'attitude' as a city could also boost its image for competitiveness, 'Manchester got a little bit of attitude that Leeds doesn't have...Sheffield had an attitude but didn't master themselves as an economic revival'. The 'Manchester attitude' is framed as a cultural brand,

[Y]ou see [the] Manchester brand going back [to] 1819 when the Peterloo Massacre took place, (Manchester) is a place where people are awkward, they are determined and they stand up. Manchester always has that edginess yes, that's the word. I think if you are to find a city in this country which is a bit like Manchester that would be Glasgow. The people there are edgy, awkward and stand for themselves. (MCC 6)

Another determinant factor to be an effective city guardian is its political cohesion and stability. Take the planning application procedure as an example. The MCC seems to operate an effective mechanism to process regeneration development by utilising regeneration strategic frameworks as an indicative guideline to grant planning permission, requiring cohesive political backing for a development proposal because it tends to cause tensions from different interest groups relating

to planning issues through a formal consultation and approval process. It is essential to have political support, City Council leadership support from the Chief Executive and other key members, when you have policy that is compatible with the overall strategic context (Consultant 15). Since the Labour party has dominated the City Council for more than 30 years, this political stability enables more efficient and viable administration and avoids a power struggle due to political fragmentation, particularly concerning the policymaking and vision formation.

In Manchester, they've been very adept at balancing, so complying with national policy, there's no breach with the way that policy is applied, but they've been very good at using non statutory approaches...They tend to be quite flexible. (Developer 12)

In the context of the power relations of these regeneration partnerships, the significance of effective and strong leadership is highlighted to anchor Manchester City Council's role as a dominant public partner when its economic power of providing public funding becomes weaker due to the central government funding cut in comparison to the growing power on the side of the developer and investor. One of the councillors interviewed states:

We see that is our job to influence developments to the city rather than develop the city because our financial ability to develop the city is very very limited so we are able to make those decisions because we have a strong leadership, we have political stability. (MCC 6)

One of the developers' comments,

The first thing to say about Manchester City Council is it has had very strong, clear political leadership so it is a Labour Council, always has been, always will be, I think, unless something incredible happens, it has had two guys running it, Sir Richard Lease and Howard Bernstein, Leader and Chief Exec, both of them have been in post for 15-20 years, if not more, so the Council isn't really political. Now that is really interesting because what it means is they are not wasting their time about doing politics they are actually spending their time on regenerating the city, you go to somewhere like Birmingham, Plymouth, other location, a lot of the Council's time is about political infighting and the Council often changes. (Developer 11)

The opposite situation could be an unstable political atmosphere in the leadership team, which would create chaos and uncertainty for economic growth and prosperity since a good leader is a person who always makes things happen, 'When nothing is happening, that is when the likes of Sir Howard Bernstein was great, he would force things to happen. That is why he was such a good leader he would make things happen out of nothing, during the recession' (Consultant 15). People actually describe Howard as 'a public sector version of a private developer' (Developer 11). The flipside of political stability is lacking an opposition that is powerful enough to voice different opinions for debates and decision-

making as one councillor himself admits that the Labour domination of the Council for so long is not necessarily healthy politically (MCC 6).

7.5.2 The Effectiveness of Local Governance

7.5.2.1 Manchester Regime of Public-Private Partnerships

The approach of the PPPs is considered an effective mechanism for facilitating the delivery of urban regeneration (Singhal et al., 2009, p.115). Manchester, like other British cities, has adopted a market-led entrepreneurial model of urban regeneration (Ortiz-Moya, 2015) more evidently since the 1990s, although it has employed the institutional mechanism of the PPPs to implement regeneration initiatives earlier from the 1980s. The famous traits of the entrepreneurial model include vigorous campaigns for place-marketing and refashioning its city image as places in favour of business, investment and economic growth. Over these years, the City Council has built up a network through regeneration partnerships including a few property developers and investors with whom they maintain very good relationships; for others, this network could be regarded as too exclusive and difficult to assess.

[T]he City Council will take those private sector investors and develop the companies who it tends to be a few (who) are doing lots and lots of the projects and it is very much a partnership kind of approach... but then there are certain developers like ASK, Bruntwood, Allied London for example, more recently some people who are coming in but there is a selection and it would be good actually to widen that pool slightly, then you are more likely to get some fresh ideas. (Consultant 15)

This 'elite' alliance may gradually encourage an 'unspoken' rule regarding how to move regeneration development forward by finding a way to obtain a ticket for the entrance to this club, such as this following case,

Look at Bruntwood who predominantly reinvest in and refurbish and revitalise existing stock, work very closely with the Council. Look how successful they have been, so if you break the rules, you are not getting very far, if you take on Manchester and the public sector, you won't get very far. (Consultant 14)

7.5.3 The Effectiveness of Local Authority Leadership

7.5.3.1 Attracting Funding from Central Government

If the outcomes of regeneration projects in Manchester are to be seen 'a colossal success', the distinctive quality displayed in political leadership of the City Council has to be the predominant attribute to this regeneration equation.

[I]t is hard to see that the City Council in Manchester haven't played an absolutely instrumental role in not just the kind of hard grind of regeneration projects and project delivery that has seen physical transformation, infrastructure, transportation transformation and diversification of the employer base across the city grow but I think clearly the City Council has played a critical role in leadership of the city and of the whole city region really and all of that kind has paved the way for the combined authority and the establishment of the Mayor. (GMCA 22).

One important function of political leaders is to formulate and develop the visionary strategies and policy direction for the city, 'Their vision, where Manchester City Council are clever, their vision is often a very macro vision to evolve the city, to grow the city' (Developer 13). Furthermore, the duty of local political leaders is to ensure all of the tasks relating to policy implementation are accomplished. For this aspect, Manchester has benefited from its prolonged political stability as observed by one developer,

Manchester has always had, certainly since the Commonwealth Games and the IRA bombing...a very settled political and administration hierarchy. So Howard has been the Chief Executive. All time through the Labour Party has been in a clear majority and Sir Richard Leese has been leader of the Labour Group during that time so unlike places like Birmingham elected councillors have been able in my view anyway (been able) to take longer term views not worried that they might get booted out at the next local Council elections. Whereas Birmingham has always been a far more dynamic political environment where the majority party has changed quite regularly and that makes decisions far more relevant in the short term which is very difficult for long term regeneration projects because you need to build rapport and trust and have a partnership. If the other side of that partnership keeps changing, personnel and personalities and priorities [change] then it can be quite challenging. (Developer 12).

7.5.3.2 Competing for Private Investment

Through reviewing various pieces of literature, the evaluative factors of economic competitiveness associate with concepts such as the level of inward investment, economic diversity, entrepreneurship, sustainable economic growth or the ability of an urban region to produce and market a set of products that represent good value compared to products of other urban regions or other cities (D'Arcy and Keogh, 1999; Dijk, 2006; Parkinson, 2004; Singhal et al., 2013; Turok et al., 2004; Webster and Muller, 2000). In this section, the focus of the discussions centralises on these notions. With regards to competing for inward investment,

I think it is arguably easier to secure inward investment into Manchester city centre than it would be in to Bury town centre in terms of in the list of investors' priorities where they would like to locate to if we are talking about regeneration, new build that sort of stuff, Bury is always going to come below Manchester. (GMCA 21)

However, some cities and towns in GM have not benefitted from the spillover effect of the 'Manchester Brand',

We are not seeing much trickle down effect, I think there is investment going on in Manchester but I think what tends to happen is particularly with new growth markets, let's say life sciences, they are going to cluster around the existing life sciences around the universities for instance, Bury would have to work really hard, it would struggle to secure a nucleus of let's say life science users, love that to happen because clearly these are

the high end jobs they are looking for but when you have got someone like, an organisation like the universities basically feeding young people who are educated in exactly those right areas that is where they are going to want to relocate. (GMCA 21)

Unlike Bury, Salford, particularly the part adjacent to Manchester City Council, such as Spinningfields, witnesses the trickle down effect of Manchester's success and the backlash is to face the competition another way round.

The first time I was made aware of this situation was probably around about 2005/6, I remember it being announced by the chief planner of Salford that it was becoming increasingly the case what we called Manchester city centre was overflowing into Salford city centre, of course they are technically two different cities, but a lot of people would regard it as one city centre. So there was awareness that the city centre was overflowing into Salford and I remember it being quoted around about 2005/6, it was quoted that there was in that particular year more major planning applications in Salford than Manchester despite the fact that Manchester is at least 50% bigger. (Salford) gets lower rents. You can see the potential because it was cheap in Salford. (GMCA 19)

Another member of GMCA commented,

I think there is a spillover success but I think it differs markedly depending on which [way] you look at...it has followed the natural laws of economics,

I would say, there has been a (much) clearly positive impact of the growth of Manchester city centre on the authorities such as Stockport, Trafford and Salford...we don't see ourselves as a competitor with Manchester, because if we took that approach we will succeed more as a city region if we collaborate rather than compete. (GMCA, Oldham City Council 22)

The attitude of pro-business and development of the City Council makes them a popular local authority for property developers to work with.

That is why we like Manchester because if I wanted to go and see Howard or someone very senior in the Council, the door would be very open to us. For me local councils should be the development enabler, they should assist very clearly with making development happen, Manchester do that. To be fair, if you go to certain boroughs of London and everyone is very anti-development, some parts, with their car parking policies, affordable housing policies. (Developer 11)

7.5.3.3 Job Creation and Fostering New Industries

The performance of cities is vital in the advancement of the local economy and promoting competitiveness and certain cities benefit from their inherent competitive advantages and planned strategies by capturing opportunities for growth and attracting businesses and investment that eventually creates more jobs or fosters a new industry. This section intends to delineate this attribute in more detail. With regard to competitiveness, the Council mainly looks at the number of jobs that would be created and the increased value of office spaces.

For creating jobs for a new business, the following is one of the cases that happened in Manchester,

BUPA was a health insurance business and this is back in 1985/86, rang me up and said... we need some offices for a nursing recruiting facility can you go and get me 4,000 square foot, so I came to Manchester and acquired for them a building called Fountain House...once you get established, businesses start to grow and you look at the legal firms, you look at MBNA, the Bank of New York went into 1 New York Street, you look at all the solicitors here, and the accountants, as the economic base has grown, the influence of Manchester has grown. You have drawn people in. (Developer 12)

Some interviewees contended that the MCC has provided the right kind of support to developers and strong leadership showing a clear policy direction and vision for the city's future. One of the councillors stated that,

We assemble the land we did a lot of assistance but it didn't cost us much but what did work was we created an environment where the company Allied London felt it was safe [to] come in to invest in a very large amount of money because if they open an office block somebody will rent it from them if they open restaurants people come in to eat food there we have to create that environment rather than building them ourselves. I think that is what the key bits we have done is to really work hard saying what would really make people want to invest and stay here. (Developer 13)

He then continued to say,

I think what we mastered, what we got reasonably good at particularly [in the] last 10 years is by being clear to the market what we are interested in. If we got an area of land there is unused or it is in mixed use but isn't working, we will put together a planning framework for that area, a master plan we call it or strategic framework, saying we will welcome proposals to build factories, houses, offices in this area whatever it is. We will respond very positively to the applications for those things...What we try to do is to make it clear to an investor, a company if you choose the right area you will get a quick and positive response. (Developer 13)

Some respondents pointed out what has attracted institutional investors to invest in Manchester is its scale and its larger developments (Inst. Inv. 1 & 2). They viewed Manchester as a city that has a lot going for it in terms of the economy and can compete globally because it has got good universities, an airport and a decent scale of population as well as the cluster of the knowledge economy. For them, it is helpful if a local authority has got a real vision and leadership to drive an area forward and good infrastructures are crucial. They believed that Manchester has a global reputation to attract international investors. The responses of property consultants provided a different aspect to this. They noted that the MCC has worked in partnership with the private sector and taken advice from them as to what is required and what works. One of them claimed that,

The MCC has streamlined the approval process so investors who fund this can actually get the money into the right places quickly and efficiently. There is good and firm leadership so you don't run into problems with planning. They might bend the rules a bit but they won't break them, if it is in the framework, it will happen. (Consultant 14)

This indicates the importance of the party cohesion achieved by effective political leadership by building up a team that pulls in the same direction. They also commented that diverse economies, education and infrastructure are key elements for a city to blossom and Manchester City Council gets the 'can do attitude' (ibid.).

7.6 Conclusion

This section summarises the primary findings discussed in this chapter categorised under the three indicators in the same fashion as the previous parts. The next chapter will present the discussion of integrating the findings both from the quantitative analysis in the previous chapter and the qualitative interpretation in the current chapter.

There are five distinctive themes associated with Market Maturity relating to the level of involvement of institutional investors in the regeneration market. Firstly, the possibility of investing in the regeneration market perceived by institutional investors has changed from being resistant to being more prepared to take on the risk because they look for better return and growth that the regeneration market can satisfy. Secondly, the evidence indicates that there are still certain barriers but less for institutional investors to enter into a partnership or joint

venture with the local authorities for funding regeneration development. These barriers are the desired holding period of a fund, the risk profiles set by different funds or the scale of regeneration development. Thirdly, a clear and viable vision from a local authority of how to regenerate the deprived areas in a city is considered essential for attracting institutional investment into regeneration. The promotion of regeneration strategic frameworks prepared by the MCC is perceived as a plausible approach to achieve this. Fourthly, the selective criteria of investment objectives considered by institutional investors vary and depend on the type of funds and their risk profiles. For regeneration properties, they look for the level of investment risk, the location, income growth and the prospect of the local economy just like other markets but this could suffer from insufficient market information on regeneration properties. Finally, for the capacity of re-letting and sale, a new regeneration property in the first phase can be difficult to price but once a regeneration market is established, there is no obstacle to re-let or sell them.

The second indicator refers to Economic Resilience comprising six major themes. The first one concerns mutual learning of both public and private actors on risk for economic resilience. For the private sector, they understand more about the operational mechanism of the planning system and the objectives of regeneration strategic frameworks as indicative guidelines to 'shape' the market. Through the interaction with the private partners in the light of 'mutual learning', the City Council has learnt to better comprehend the logic of market behaviour and expectations of both occupiers and investors who are led by their commercial rationale but are not necessarily attracted by joining in a regeneration partnership. However, there is no proof that either public or private actors learn

about the possible impact of policy-led property developments in the light of exposure to investment risk and economic volatility during property cycles that are all relevant to ensure economic resilience of the property market.

The next theme discusses the role of political leadership in the process of formulating the 'Manchester Vision'. It concludes that local authority, in particular its political leaders and Chief Executive, could play an essential role as an intermediary to exchange ideas with key developers not just on market-oriented know-how for trading and investment but also on visionary concepts of place-making. This leads to the following theme concerning the same role influencing regeneration strategies and market force. It is noted that economic growth is commonly the central focus of regeneration strategic frameworks at the heart of policymakers of the MCC, wherein market force, such as rental and capital values for property is not the primary consideration to draw up a strategic plan. However, the present financial structure of the local government to support other public services requires a substantial proportion of the revenue generated from the business tax that is calculated on the basis of property values and the 'development profit share' if a deal over-performs (Room 151, 2019).

As joint ventures (Tiesdell and Allmendinger, 2005, p. 64) have been employed as the common deliverance vehicles for regeneration the PPPs (discussed in the literature chapter and in Chapter 5, stating the evolution of the Manchester office market), the performance of real estate markets, particularly the rental and capital values, has become increasingly important on the impact on the balance of the municipal financial stability and sustainability in an era of austerity.

Another theme is on the leadership and the vision of delivery through regeneration and it finds that strategic frameworks are the useful implementation

mechanism for investment certainty and the MCC backing for development confidence. The next theme explains the relationship between the political leadership and economic resilience in terms of property cycles. It is the understanding that the MCC only focuses on kicking off regeneration developments at the first stage and then hands them over to developers and investors to deal with the market factors and mitigate risks because its main focus is job creation. The last theme on economic resilience looks into how the policy shaped by the leadership handles economic diversification. It is found that the Council's intention to cultivate and encourage new ideas is likely to foster and create a diverse economy comprising heterogeneous industries and sectors that generate economic diversification.

Five themes are identified in connection with the concept of Competitiveness for investment. First of all, it emerges that the image of Manchester has been marketed as a brand by the MCC quite successfully as a pro-business city attracting investment. Furthermore, the idea of the Manchester Regime which appeared in the implementation of partnership arrangement over these years suggests that the City Council has built up a close-knit network only accepting a select number of property developers and investors but this pattern could be deemed narrow and unapproachable by others. The third theme is to measure the effectiveness of local authority leadership. The finding is that the leadership of the Council demonstrates the capacity to produce a clear and effective vision to regenerate and grow the city. Additionally, the duty of local political leaders is to ensure all of the tasks relating to policy implementation are accomplished. For this aspect, Manchester has benefited from its prolonged political stability. Fourthly, it is evident that the Manchester Brand attracts more inward investment

in comparison with their counterparts such as Bury and Oldham, for example, but certain boroughs are benefitting from the spillover effect of it. The final theme discusses the signs on job creation and fostering new industries that is an essential objective of the Council's development policy and it is noted that in respect of the intention of fostering a diverse business base in Manchester, the policies of the MCC improve the chance of creating more jobs and new industries.

Part Three: Discussion of Results and Conclusions

Chapter 8. Sustainable Property Market and Urban Regeneration

‘Cities trying to replicate the “Manchester Effect” should find their own brand based on their own local heritage...policymakers should find their city’s inherent assets and develop their strategies around them.’ (Ortiz-Moya, 2015:40)

8.1 Introduction

Referring to Chapter 1, the main research question states: How effectively have regeneration policies in the UK fostered economic sustainability of real estate markets? This inquiry is to be evaluated in the context of the concept on market sustainability proposed in this research, which is reflected in the first sub-research question: How successfully have regeneration real estate markets performed in the criteria of market maturity, economic resilience and competitiveness for investment? The research data collected in this study are analysed in the light of assessing the economical aspect of policy impact on the level of economic sustainability within the regeneration office market of Manchester since the 1960s. The literature review identifies six primary features on market sustainability that are employed to define ‘sustainable real estate market’ under three measuring indicators. These three indicators all relate to the kind of investors present in Manchester and their views on whether it is a place they trust over the long term and think it is competitive as a location. Therefore, this leads to the second sub-research question: How have local regeneration policy approaches helped to achieve economic sustainability through their interaction with private sector investors?

These questions are explored in the context of the market sustainability framework by accentuating the implications of state-market relations in the concepts of market maturity, economic resilience and competitiveness for investment in regeneration property markets. The focus regarding mature markets discussed in section 8.2 mainly relates to the evolution of the regeneration real estate market that could be facilitated towards economical sustainability by various planning tools through regeneration policies, guided by the city vision and greatly influenced by the political leadership of local authorities. Also, the traits of Market Maturity for a sustainable real estate market include having viable rental values and property prices and being accepted as investment products with long-term involvement of institutional investors. Within the discussion of section 8.3, the second indicator of Economic Resilience refers to the capacity to cope with property cycles by bouncing back after the downturn of the recession and therefore this highlights whether regeneration policies with political weighing would foster the economic capacity of a property market to display the strength of economic resilience when encountering the downturn of property cycles. The third one of Competitiveness for Investment discussed in section 8.4 alludes to lasting inward investment and economic growth leading to the prominent point of how regeneration policies would enhance competitiveness for a city competing with other places for economic resources and opportunities by creating a supportive and 'safe' environment through public and private partnerships. Finally, section 8.5 briefly concludes these integrated findings.

8.2 Policy Implication of Market Maturity

In short, the collective effect of policy vision and direction in urban regeneration, which has been named the MRR in this research, has directly and indirectly assisted the evolution and maturity of the Manchester office market in the city centre from 1967 up to 2017, resulting in the expansion of the office market in scale and the rise of rental value to a sustainable level over this period. The key question in this research asks, 'how effectively have regeneration policies in the UK fostered economic sustainability of property markets?' An alternative interpretation of this question could be, 'to what extent, could the lack of effective regeneration policies have an adverse impact on fostering economic sustainability of property markets.' The review of the Manchester office market in the late 1970s painted a bleak picture of immaturity and weak competitiveness, if not failing market conditions, witnessing its rental value at just more than half of other regional cities such as Glasgow or Birmingham as discussed in chapter 6. It is also true that market fundamentals and other externalities such as the global financial crises, natural disasters and planning policies play essential roles in the development of local property markets. However, in the context of all regional cities in the UK during this research period facing very similar economic situations and other externalities, this makes the local context in terms of change in employment, the economic dynamics of local businesses and the effectiveness of the local government become the critical factors. The first two factors point at the same direction of market fundamentals resulting in real demand for workspaces. This leaves the role of the local authority in the design and implementation of public policies as a decisive attribute to observe the evolution of regeneration property markets in pursuit of economic sustainability.

The analyses of quantitative and qualitative empirical evidence in this research demonstrated the creation of real rental value generated in the regeneration office market in Manchester city centre between 1967 and 2017 has not significantly evaporated and still retained some positive growth after considering the effect of inflation. Regeneration and non-regeneration office markets in Manchester evidently moved along with the national economic trends over this period. However, the incremental narrowing gaps between regeneration and non-regeneration markets from 1967 to 2017 indicated an unintentional but relevant linkage between the market performance and the introduction of various local regeneration initiatives (see the discussion in section 6.6.1.2). Both rental value and growth became more stable in the regeneration office market after 1996, coinciding with the change of the direction in the political agenda manifested by Sir Graham Stringer, the Council leader from 1987 to 1996, to comply with Tory's market-led, entrepreneurial, and competitive approach of public policies. This approach has largely been criticised for prioritising business interests over other needs such as social and environmental agendas (Tallon, 2021). Nevertheless, this phenomenon has been observed by some interviewees who regarded it as the turning point for the office market in Manchester, coinciding with the emergence of buildings that exemplified the economic scale of market size for the agglomeration benefit, the mature level of transaction activities and viable returns obtainable for investors.

As discussed in chapter 2, the argument concerning economic sustainability for the regeneration market focuses on the trade-off of current consumption for future consumption through preserving and developing the stock of capital into the future (Elliott, 2005). Apart from other useful evaluative indicators for

regeneration outcomes, the observation of property values over time exhibits a different dimension of the cost-benefit relations in assessing the economic achievement of local regeneration strategies in terms of values stored in the form of market institutions for future generations that fosters economic sustainability defined in this thesis (see section 2.2). The economic values created by physical regeneration are utilised and included in a means of delivering wider regeneration benefits that ultimately contribute to the sustainable city together with social and environmental issues (McGreal et al., 2000). This evidence could likely be employed by the City Council as proof to convince prospective institutional investors that Manchester is a place to put their patient capital as a long-term investment.

8.2.1 Political Vision and Property Market

One of the primary tasks of a political leader, defined by Leach and Wilson (2002:668), is to develop the strategic policy direction. In the case of Manchester regeneration policies, since 1987, the direction of political vision set by the leader, first Sir Graham Stringer and then followed by Sir Richard Leese up to today, adopted a neo-liberal and entrepreneurial approach that stressed the importance of property development and the PPPs. This political vision has been deliberately translated into regeneration strategies and relevant planning documents. Although some critics commented that this approach is quite restrictive and a top-down approach (Tallon, 2021:142), most respondents to the interviews conducted in this research, from the standpoint of private developers and investors at least, welcome this approach because this provides them with authoritative information and state commitment that might reduce 'political risk' (Tiesdell and Allmendinger, 2005). Additionally, this approach can be possibly

utilized and complemented together with other bottom-up state-led interventions (Tallon, 2021:142) to overcome this limitation of a top-down measure. The qualitative findings suggest that the endeavours of the Council leaders seem to receive more positive praise for getting this right than criticism.

However, the close link between the delivery of public policy and the dynamics of property markets through the PPPs might possibly have exposed the state to greater political risk when the private sector failed to digest the financial risk due to the downturns of property cycles by losing the profits and returns expected to pay back the sunk investment from the local authority (Karadimitriou et al., 2013:214). This claim explicitly stresses the fundamental issue regarding how effective property-market-driven policy can really be. Since there will always be a threat from the downturn of each property cycle on the increase of rental values and handsome returns from property investments, this will then lead to the financial hole of local governments who rely heavily on the revenue or profits derived from property values and developments.

Political vision promoted by the leadership is commonly written into the visionary statement of regeneration policies and planning documents that is noted while reviewing the publications of the MCC over these years. The importance of the city centre development has been consistently the primary emphasis in order to sustain Manchester as the regional centre for the finance and business node in the North as being evident in the chronological review of office development in Manchester city centre in chapter 5. For the effect of path dependency and economic agglomeration, there have been few difficulties attracting investment into city-centre developments even though Manchester still suffered from losing a significant number of jobs and population particularly in the 1970s (Damesick,

1979:349). However, in the context of competition with other regional cities, the rules of the game may seem to look very different because cities need to obtain the right kind of image and reputation for promising economic growth and certainty in order to look appealing to investors and firms who willingly put their money into the chosen area with the belief that there is a high possibility for a desirable return for their capital investment in the future.

Therefore, the impression of location for property investment plays a crucial role in convincing private-sector investors and firms as noted in the interview data discussed in 7.3.1.1. The scale of the office market in Manchester remained less significant compared to Glasgow and Birmingham before the early 1980s, which was reflected in the rental value as shown in chapter 6. The rental value of Manchester office space then caught up with the value of Glasgow in around 1996 and 1997, moving coincidentally along with the vibrant regeneration initiatives seen during the same period following the political vision of the City Council. In addition, the size of the Manchester office market has also grown substantially from around 3.5 million sq. ft. in 1967 to more than 20 million sq. ft claiming arguably the crown title as the second largest market outside London by 1996. From the interviews, several developers and institutional investors, such as Allied London and Aviva, recalled the timing that they began regarding Manchester as one of key cities with the great potential to advance their investment interests (see chapter 7).

8.2.2 'City Boosterism' and Investment Confidence

Another measurement to assess Market Maturity includes investigating the tendency of institutional investor behaviour by looking at their criteria of selecting investment objectives for the portfolios and their decision-making process, which

could suffer from human preferences with bias and irrational behaviour. Findings from quantitative data demonstrate an indicative trend of a sustainable investment flow being incrementally injected into the Manchester office market from 2007 to 2016 and this has also been demonstrated in the strong growth in rent compared to Birmingham and Glasgow between 1981 and 2017. The average rental value in the Manchester office market in 1981 was around £4 per sq. ft compared to £8 both for Birmingham and Glasgow (see Chapter 6) but by 1997 Manchester had attained the equivalent level to Glasgow at £17.50 per sq. ft. and then exceeded Birmingham's level by 2009 (£29 versus £27 per sq. ft.). Since most institutional investors prefer prime office buildings in the city centre with a long-term holding for the benefits of future growth and income stream, they would favour a market which shows potential for a healthy economic growth and investment return. The strong progression in rental value of the Manchester office market since 1996 could appear desirable to institutional investors in this regard. Even though the findings of this research confirm increased involvement of institutional investors in regeneration areas and the willingness to gradually take on a more open attitude to secondary and regeneration property markets for the attraction of greater returns for certain types of investment funds, there are still some obstacles concerning the perception of locations, areas and risks attached. The finding of this study supports the view of Henneberry and Mouzakis (2014) about the strength of an institutional approach to property market analysis particularly in dealing with biased market behaviour. In their study, they contended that the perception of the performance of regional office property markets, and subsequently its risk on investment, could be bounded by institutional decision-makers who are based in London and, due to the 'familiarity

heuristic' of the London market, may distribute the investment in property assets geographically favouring the location in London and the South East. From the interviews, when asking about how they chose the projects to invest, most institutional investors who are based in London depend on their 'local agents' through their 'London-based brokers' to inform them and trust their local know-how. They admit that they do not normally understand the local market dynamics in great depth and they do not think this is a problem in terms of decision-making. This behavioural pattern has been noted in this study highlighting the fact that large institutional investors are located in London and rely heavily on their investment models for deriving their 'risk profiles' and their agents who are also based in London for market information on locations outside London (Inst. Inv. 2). Even though they believe that local property experts have been consulted by their agents, this adds another layer of information distortion due to subjectivity and partiality of human nature.

The notion can also be applied to institutional decisions on investment in regeneration. The barriers to attracting institutional investors into regeneration markets highlights the problems of lacking sufficient information, poor return on investment (Adair et al., 2003) as well as the appalling image for the location or area. Therefore, the study of Henneberry and Mouzakis (2014) concluded that,

Most policy responses to the problems of underinvestment in property markets in particular areas...are based on the assumption that investors behave rationally. Consequently, they have focused on reducing risk (for example, by increasing transparency by providing more information on market performance) or increasing returns (for example, through public

land assembly to reduce costs). These are necessary but far from sufficient actions.

Evidence from the interviews suggests that there are signs that institutional investors may be 'influenced' by irrational factors not necessarily relating to market performance, such as distrust of the credibility of partner developers selected by the Council (Inst. Inv. 3). As a result, from the perspective of policymaking, it seems to be sensible to consider promoting an alternative approach to regeneration policy for involving institutional investment, for example, by taking into account, 'the social–institutional structures and practices in the property investment sector that condition its perceptions of and responses to such policy initiatives' (Henneberry and Mouzakis, 2014), and then creating a communicative platform with prospective institutional investors concerning issues including visionary inspirations, suitable partnership arrangements, funding opportunities, contribution to master-plan for future development and so on.

The findings of three data sets including the regeneration market, the non-regeneration market as well as the regional comparison index suggest that, in principle, the trajectory of the regeneration office market in Manchester has been evolving consistently with the chronological movements of strategic plans in regeneration proposed by the City Council from 1967 to 2017 and the market has been shaped by these planning tools towards maturity in many aspects such as the viable property prices and transactions and wider acceptance of institutional investment. The upward movement of the property values in Manchester echoes the claim that planning can be regarded as a tool to increasing land values (Balchin et al., 1995, quoted by Adams and Tiesdell, 2013) and the Manchester

office market can fit into the phenomenon described by Healey (1992a) that a market is created through 'a strategic development or regeneration framework, which rescues weak local property markets through public-sector vision and investment that then breeds confidence'. The research data demonstrate that the MCC has handled such intentions with care with an attempt to create a sustainable office market rather than encourage short-lived financial speculation (Adams and Tiesdell, 2013).

The importance of strong leadership becomes even more essential for tackling the challenge to 'generating local political agreement around the goals of a plan or strategy' since 'this can be time-consuming and difficult. Planners, politicians, developers and the public have all regularly expressed frustration that the legal-bureaucratic complexity of aspects of the plan-making process makes the task even harder' (Adams et al., 2016). A clear and sound municipal vision created and promoted by the MCC with strong political leadership arguably helps foster a 'safe' and certain environment for businesses, property development and investment. This view was voiced many times in the interviews. However, as one of the council officers stated in the interview (MCC1), planning strategies did not put the market force in the central place but focused on local economic development, such as fostering diverse industries or job creation. Political leaders have greater power to influence planning decisions. After decades of property-centred regeneration schemes, the findings indicate that the Manchester regeneration office market has become more well-established and mature. The view of institutional investors has evidently changed with a positive turn towards regeneration properties. Planning documents had shaped the decision environment by providing more certainty on future development to developers

and investors and building confidence in the market, which made the planning system work more efficiently.

8.3 Resilient Market and Local Economy

The performance of the Manchester regeneration office market in respect of the level of rental values and investment risk during several property cycles appears to have become more resilient over time, although the recovery of investment volumes after 2008 proved to be relatively slow. The concentration of the office market and finance sector in Manchester city centre raises the concern that the effect of economic diversification could be weaker because, 'city governments (that) act in line with the expectations of property developers and investors in regeneration development projects' (Guironnet et al., 2016).

8.3.1 Local Politics and Market Risks

Given the issue of sample size, the investment risk for the non-regeneration market appears to be more consistent and has gradually reduced over time from 1985-1993 at 2.83 standard deviations, then 1994-2003 at 2.32 to 2004-2009 at 1.51, in comparison with the regeneration from 1.42 to 3.47 and finally 2.34 over the comparable time periods (see Chapter 6). As defined in chapter 3, changes in government policy could affect the investment behaviour of firms who determine their decisions based on the level of the risk premium incorporated in any investment project as well as the location decision that is influenced by political risk (Busse and Hefeker, 2007:398-399). The consideration of political risk transformed from financial risk (Karadimitriou et al., 2013:211-212) highlights the importance of political certainty commonly associated with changes in laws and government policies that affect the way firms conduct their businesses as

well as other types of political risk such as intra-party power game or policy inconsistencies (Ekpenyong and Umoren 2010:27).

Regeneration policies are commonly employed to achieve the objectives of local economic development and the local government contributes to the development process, specifically through the grant of planning permissions for future development, building control, funding for the construction stage or usage of compulsory purchase power for land assembly. The partnership arrangement for regeneration development divides the risk associated with such a project into political risks borne by the city government, which entail public investment and the engagement of a local authority in landownership, and market risks borne by the private partners, which commonly encompass market uncertainty, construction, and design risks. The market risks derived from the dynamics of market forces in land and property, so called the 'market paradigm' in this study, have seemingly not been given sufficient attention in the process of policy debates and formation even though as discussed in the previous chapter, a lot of local authorities in the UK just like Manchester count on the 'development profit share' derived from regeneration 'joint ventures' or partnerships as well as the business tax based on property values. Following the 'economic paradigm' in this research, referring to the issues associated with political risks derived from the outcome of regeneration projects, the findings suggest the trajectory of this policy tendency, given the emphasis of the MCC, is on how to kick off regeneration development at the first stage and to leave the rest of the market related factors to private market actors, such as investment risk and economic volatility during property cycles that can affect the level of economic resilience in property market. In consequence, this encourages frequent contacts between the Council and

developers, particularly under partnership arrangements, so that idea exchange and mutual learning takes place in the process of project negotiation and implementation. According to the interviews, the subjects of this 'mutual learning' are reflected by the nature of the co-operation with development-centred intention covering the issues about how to mitigate or distribute development risk or the funding and financial package for the construction stage; but little attention has been drawn to understanding the policy impact on long-term market stability and economic resilience since market dynamics and risks are not the focus of policymakers. However, since the key theme of the 'Manchester Vision' almost always incorporates the concept of 'economic growth' and emphasises its importance, the City Council grasps it tightly with the belief of fostering a diverse industry base and securing economic diversification that would possibly create a sustainable local economy and hence the economic prosperity of the city would not rely on heavily or concentrate only on one or few sectors that potentially enhances the economic resilience of the market.

It has been recognised by many scholars that planners normally perceive markets with a critical and disinterested stand (Adams and Tiesdell, 2010; Jones, 2014) due to the widespread view that 'planning should lead and the market should follow' (Evans, 2003). This dichotomous distinction between planning and markets explains the phenomenon that the role of the market is normally ignored or side-lined in strategic plans as observed in this research, which echoes the statement of Jones (2014) contending that, 'Economists have regularly criticised the lack of market content and economic knowledge in planning policies'. The politicians and the council officers did not hesitate to point out that market dynamics and risks are not commonly considered in depth since they trust that

this is the 'duty' for their private partners to deal with. This indicates that the attitude of the professional planners may still be unchanged in embracing the market force into the process of plan-creation and strategy formation even though some academics have endeavoured to make 'the relationship between planning and markets symbiotic' (Adams and Tiesdell, 2010). Planners seem to have progressed from omitting advice on economic issues to taking on board certain aspects relating to economics such as employment and local economic growth but have yet to position the plan-market relation in a central place in spatial planning. However, the inclusion of market force into planning is essential not only because markets, including real estate and finance sectors, are not only part of wider economic activities but also are shaped, regulated and stimulated by the planning system (Tiesdell and Allmendinger, 2005).

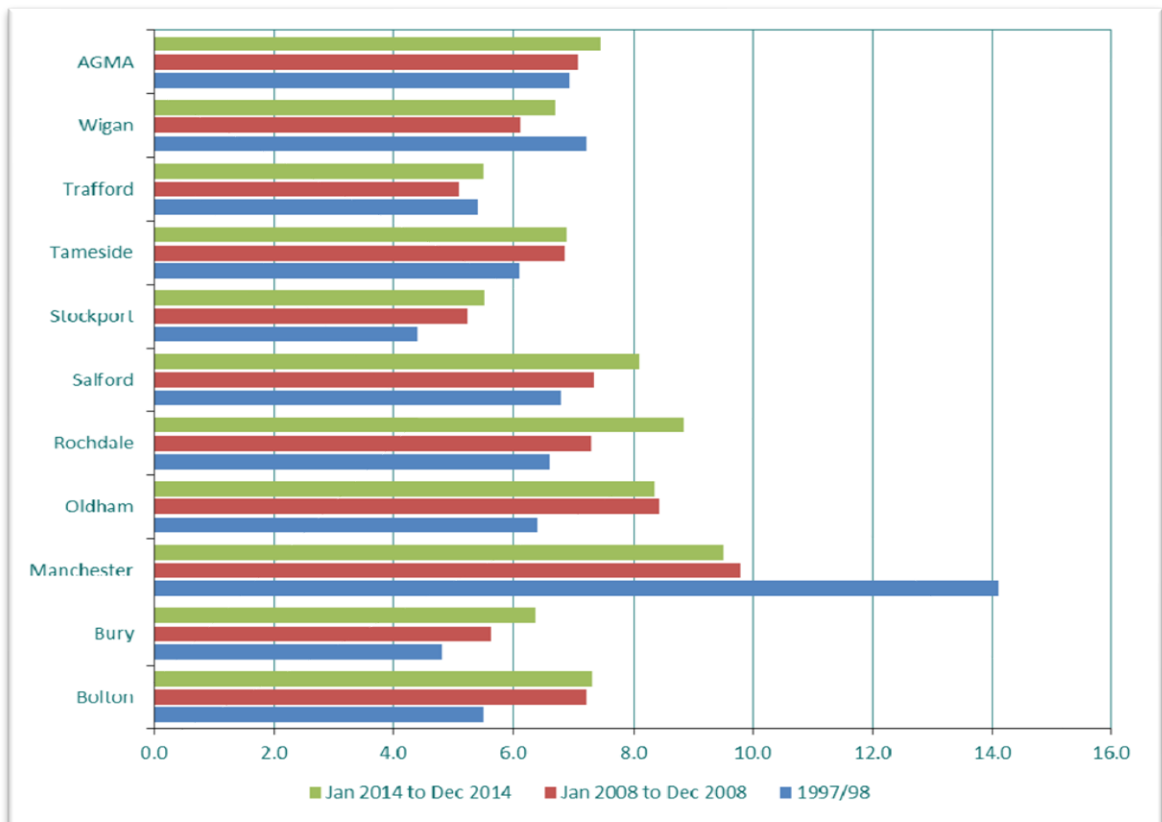
As mentioned above, the findings show that the City Council's understanding on the market mechanism and operation is limited and partially relies on market agents to provide up-to-date information and it pays little attention to the implication of policy impacts on market performance and behaviour. Following this reasoning, it is sensible to inquire into the possibility of 'blind-spots over policy decisions' because there are many different standing points between the financial sector, including institutional investors such as pension funds and insurance companies, and neo-liberal economic policymakers, such as the MCC. Davis and Walsh (2017) pointed out that these differences result from the fact that financial market considerations and economic thinking can be markedly divergent and even incompatible to the sentiments of neoclassical economists and neo-liberal economic policymakers. The reasons are as follows. First, neoclassical economists tend to ignore the multiple capital equivalents created by the financial

sector which emphasises market transactions and liquidity but not production, consumption, labour or supply-demand factors as economists do. Also, 'financiers' consider investors over other stakeholders, for example, communities or other businesses. The Council's duty to deliver these objectives of local economic development in their daily decision-making process is often about micro-economic issues rather than macro ones in the context of the division of 'regeneration risk' between the state and the market.

8.3.2 Economic Policy and Office Market

After the 2008 GFC, there is an increasing claim that systemic risk arises due to the close link between the real estate investment market, particularly the office market and financial markets (Lizieri and Pain, 2014; Stevenson et al., 2014). Even though these cases concentrate on global financial cities, such as New York and London, the office market in Manchester, as one of the leading real estate investment targeted cities in the UK together with its relatively significant market scale, shares a lot of similarities in terms of real estate investment in the office sector. In chapter 2, the body of literature argues that the dominance of institutional investment in the office market highlights the importance of its tendency to structure investment portfolios to include different types of financial assets in order to mitigate the level of risk with a target return and capture the benefit of risk diversification.

Figure 24. AGMA region unemployment rates

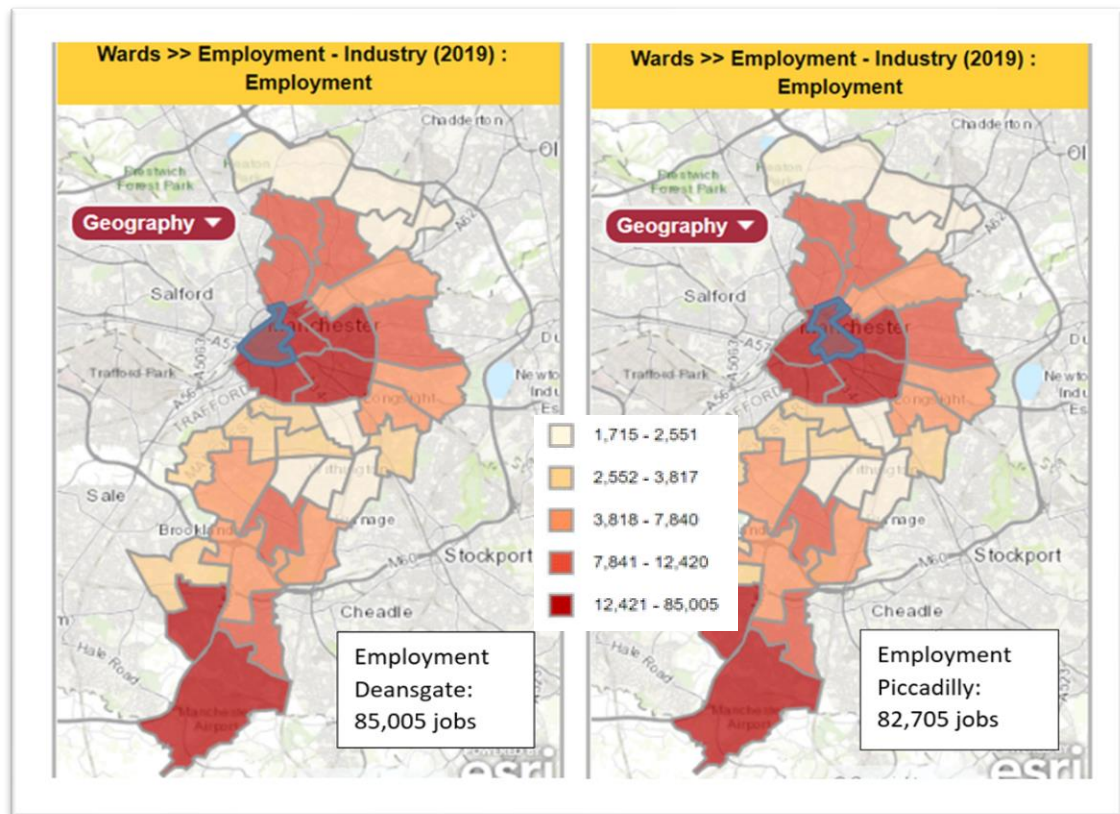


Source: Folkman et al. (2016)

The achievement of diverse economic activities in a city relies on effective local economic policy. The political vision of the city government needs to support local economic policy which is the key to continue to produce a positive employment market by providing the right type of economic fundamentals and fostering diversification in economic activities that generate the real demand for office spaces but not speculative investments. In the case of the Manchester office market, the evidence supports a certain degree of positivity in economic resilience by witnessing the gradual stability of investment risk over three property cycles and the signs that this prosperity has not derived largely from speculative investments, but the fruition of real demand based on tangible local market fundamentals lasting during this period of fifty years between 1967 and

2017. The deductive reasoning is based on the general economic principle that the demand for property spaces is derived from actual economic activities. In the case of offices, the demand for these spaces in general is 'linked to the output of services' (Jones, 2013:26). Some recent studies and the Council's statistics have backed this finding. For example, the study of Folkman et al. (2016) showed the unemployment rate of Manchester had dropped significantly from more than 14% in 1997 to around 9-10% in 2014 (see Figure 24). Additionally, according to the Area Profile published by Manchester City Council, the higher band of jobs concentrated on the city centre as well as the southern part. The areas securing the highest employment are Deansgate obtaining 85,005 jobs and Piccadilly owning 82,705 jobs, which both contain large parts designated as regeneration areas as defined in the 1967 Plan and indeed have seen substantial numbers of regeneration office buildings constructed in the past decades (see Figure 25).

Figure 25. Area Profile - Intelligence Hub Manchester City Council 2019



The review of political visionary statements and planning documents of the MCC during the 1980s onwards observes the ‘new’ priority for local policies by ‘privileging investment, growth and job[s] first and then considering welfare issues later’ (Quilley, 2000:607). In the early 1980s, Manchester started developing its economic strategy regarding searching for new economic solutions within municipal socialism late in the field compared to Liverpool or Sheffield and achieved very little (Quilley, 2000:605). This deep frustration was documented in the interviews of this research. Facing the rapid decline of Manchester as a city in every way, the circumstances made politicians and their leaders focus on one primary issue – how to help Manchester survive. It is understandable that the severe reality drove politicians together to work with the political leaders for grasping the chance to survive under the threat of Manchester as a regional

centre collapsing and even disappearing during the process of de-industrialisation and economic re-structuring. As one of interviewees recalled (MCC 6), '...we haven't got an option...that accepting a defeat', when tackling the external pressure from the central governments with a stand of 'Manchester first' endorsed by local residents,

[I]t is all about Manchester, if Tony Blair said something is not going to help Manchester, we will tell him to shut up and we did. If Theresa May wants to not recognize the importance of Manchester then we will tell her...Manchester people have voted us to have a council that four years no opposition...(assuming that) they are wanting a party Manchester first. (MCC6)

The leaders and politicians of the MCC believe that over these years they have created 'that sense of there being a future' that can attract new firms for job creation, new citizens moving into the areas and new investment capital stimulating economic growth. They gained external support through this process for formulating the visionary statements in their plans for urban regeneration. Pre-1970s, there was no significant office market in Manchester but the vision for the city centre still aimed to construct more office buildings in order to keep the status of Manchester as the regional economic and finance centre. If the city leaders followed the signals of the market depending on the level of demand for new office space at the time, there would probably be no new development projects to be initiated. This emphasised the role of political leadership and its vision for the future of the city in terms of place-making played an important role to bring

about these regeneration projects that provided the supply of the appropriate office spaces for the future even though it was necessary to keep this vision and faith unabandoned through the ups and downs of property cycles in the late 1970s and, to make things worse, at the time, the pace of job losses and population decline still increased. It is evident that for the period from 1967 to the late 1970s, the market behaviour in the Manchester office sector led to over-building and over-supply, which was against the commonly accepted economic principles (Damesick, 1979). Therefore, during this period, the driving force of these new office projects seemed to be encouraged by the City Council and vision-led regeneration policy, which did not show the possession of the sustainable and resilient strength derived from the 'real demand' generated by the industrial productivity and labour market.

The change of policy trajectory to embracing the 'new entrepreneurial model of development' from 1987 stirred up the severe criticism of the left-wing commentators due to their 'abandonment of the principle of solidarity as a prime directive' (Quilley, 2000:606). The policy shift towards the partnership model of development and pro-market strategies can be read as a 'wake-up call' from the political leaders and the City Council to explicitly recognise that 'the economic' was the legitimate concern at that time (ibid:611). This stand has been defended by the council politicians in the interviews, who argued that they have been voted in because the voters have endorsed their political visions and economic achievements even though they also admitted the long-term political stability may be 'unhealthy' in terms of lacking significant opposition to challenge the policy direction in debate.

But the problem does not lie with the centralisation of the economic issues, rather the acceptance of the free-market rule which allows all 'social actors' including market actors from the institutional perspective to compete and improve their position at the expense of others (Streeck, 2010:151). Putting this into the context of public policy, this means while the political stand of the Council adopts this entrepreneurial approach to leading the way for the city's future, the principles of capitalism place the competitive pressure on the public actors, including local politicians and council officers to mould their strategies and actions for 'earning the rewards expected' by excluding other actions that will not produce such rewards, in this case, the inward private investment, economic growth and job creation. This inevitably narrows the scope and extent of other types of public policies, such as education or social equality that attract less attention and resources from the Council's political leaders.

The effectiveness of the local economic strategies developed by the City Council has been commented on by Quilley (2000) as that '...little attention was paid to restructuring the institutional mechanisms of management and implementation. The result was policy indigestion but little action'. However, other studies noted that several economic strategies seemed to enhance the economic resilience of the city for the long-run, for example, by enabling it to sustain its role as the most important service centre in the north of England, through the creation of the high level of regional 'connectivity' by owning an international airport and well-linked transport routes (Harding et al., 2010:982) and building physical and technological infrastructure to allow economic development (Ortiz-Moya, 2015:39). This has been backed up from the data that displays the strong growth and resilience of market performance in rental value during the last property

cycle. There is one particular backdrop suggested by the data which sheds a different light on the level of economic resilience in the Manchester office market after the 2008 Global Financial Crisis due to the sluggish flat rate of investment volumes growth from 2008 to 2013. Manchester's recovery trend behaved less impressively than Glasgow and Birmingham within the same event, even though Manchester has pulled in the largest average amount of inward investment at around £480 million each year between 2007 and 2016, compared to £200 million for Glasgow and £400 million for Birmingham (see Chapter 6).

8.4 Marketing a City to Compete

8.4.1 Competitive City Brand for Investment

From 1987, the political vision with a focus on the 'place-marketing' strategy (Quilley, 2000) did help Manchester market the city as a 'brand' asserting 'positive city image' that has been carefully crafted over several decades partly through regeneration policies to boost the confidence of investors and businesses (see 7.5). This constitutes one of the traits for the MRR. Most developers, property consultants and institutional investors interviewed seemed to buy in to the tactic of this city-branding crafted by the MCC in the past three decades. From the growth of investment volume in Manchester compared to Glasgow and Birmingham, the evidence indicates that Manchester has been competing effectively with other regional cities with great strengths and advantages. Better city competitiveness observed in Manchester has helped the sustainable development of the local office market. The greater strength for competitiveness in drawing in investment has been demonstrated in the trend of growing rental values compared to other regional cities. The average rental value of the

Manchester office market in 1981 was 50% lower than ones for Birmingham and Glasgow respectively (see Chapter 6) but by 1997 Manchester had reached the equivalent level as Glasgow with the growth of 437.5% between 1981 and 1997, equivalent to an increase of 27.34% each year on average compared to 218.75% (13.67% each year) for Glasgow and 262.50% (16.40% each year) for Birmingham over the same period of time. Then the rental growth slowed down to 165.71% between 1997 and 2007, equivalent to a 16.57% increase each year while Birmingham and Glasgow scored the same figure at 157.14% for the time span. If we examine the difference between the initial stage of the office market boom in 1981 and the feverishly booming market before the Global Financial Crisis, one can clearly witness the increasingly competitive position over these years Manchester has managed to grasp with the proof of the significant growth and process of market maturing in rental value. Also, this has been endorsed by the facts that the said city came at the bottom in the competition at the onset; and then rose to second place with Glasgow with an impressive jump in rental value by 1997; finally, Manchester has ended up dominating the race and been leading slightly ahead of the other two cities from 2008 up to 2017 when the data end.

From both property data and interviews, it is suggested that the place-marketing and entrepreneurial approach firstly adopted by the political leader, Graham Stringer, and followed by the next leader, Sir Richard Leese, and the City Council from 1987 up to the present day seem to effectively boost confidence to invest in the office market of Manchester city centre resulting partly from the strong political leadership over a long period of time. The effectiveness of strong political leadership is demonstrated in the ability to create an interesting and appealing city image externally, in its capacity to harmonize any internal conflicts in the

Council and with private partners to successfully deliver the regeneration projects, in using the political visions and planning tools to pool the necessary resources and connections for the benefits of policy implementation in regeneration projects. In the perspective of public policy, land and property are certainly regarded and employed by political leaders and policymakers of the MCC as urban assets to shape the city competitiveness and local economy (Begg, 1999) and capture opportunities for economic growth and draw in more businesses and private investment. However, the belief that supply-side intervention is able to 'trigger' demand for space has not been found in this research. Rather, the evidence shows that Manchester political leaders and policymakers interpreted the economic signals, most of the time but not always, accurately and promptly made appropriate decisions to grasp the opportunities for the rise of the finance and services industry from the 1970s to construct the right types of office spaces in conjunction with the planning vehicles of urban regeneration. The fundamental driver for the growth of the office market has still been the real demand generated from the real jobs in the long run. The rise in property price even among the over-building can mostly result from speculations aiming at quick profits, which then create the property market bubble waiting for the downturn of the cycle to burst. This kind of speculative inflation in property price has no substance to sustain the market in the long run.

8.4.2 Private Partners as Holders of Economic Power

The findings indicate that city competitiveness for investment has been enhanced through the establishment of a pro-business and entrepreneurial image for the Council as well as the successful stories of regeneration development and partnerships. As revealed through the analysis of the interview data, the close

co-operation between the MCC and key developers in regeneration partnerships indicates that the developers have gradually gained more influence over decision-making due to their stronger economic power in funding regeneration development. Since they likely promote the expectation of prospective institutional investors in order to take advantage of selling and letting these office buildings, with this weighted power the developers are able to push and persuade the Council to integrate their way of thinking and values on the objectives of regeneration developments into regeneration strategic frameworks. However, the Council at the same time leans on their partnering developers' knowledge and real-world experience to predict the desired market reaction for the success of selling out these regeneration developments. With the help of these private partners, these commercially successful projects have constructed a favourable reputation of Manchester as a safe place for doing business and investment. This hard-earned reputation that the City Council built over thirty years has been helpful to enhance its city competitiveness. This indicates that there may be a potential struggle to find the right balance between the pressure for pursuing economic growth and financial gains through this approach and, at the same time, not marginalising essential needs for not only social and environmental but also other economic objectives demanded from different community groups.

Another finding from both quantitative and qualitative data is the sustainable investment flow into the Manchester office market and the involvement of institutional investors. The presence of institutional investment indicates that the market appears to possess competitive local conditions and there is great potential for future growth in the local economy. Since most institutional investors hold office buildings for a long time in order to receive the income and rental

growth in the future, they only choose cities which can compete well with other cities because they hold better economic prospects. As discussed above, regeneration in the city centre has been the essential policy vehicle for Manchester city centre to market its city brand and compete with other cities for private investment and public grants. From the interviews and other academic reports, a strong and consistent political leadership that directs the process of transformation in Manchester city centre with its political visions, has been highlighted as one of the crucial factors to achieve successful regeneration developments, particularly office developments (Jones, 2013); this may qualify as so-called 'effective governance' in the PPPs (Singhal et al., 2009). To sum up, the office market in Manchester city centre has created greater city competitiveness for attracting private investment by providing the right quality of office spaces in the right location and at the right price to promote the economic growth of the city (Jones, 2013:130).

In terms of the sub-markets, after 1997, the regeneration office market has been outperforming the non-regeneration market in rental value and growth, which seems to suggest a more competitive price position within the regeneration market than the non-regeneration one. However, this reading can be misleading because the city centre location strengthens the competitive position for the regeneration market and, at the same time, more newly-built modern office buildings have been constructed due to vibrant regeneration initiatives that attract more demand and higher prices. However, this phenomenon can be interpreted as the fact that regeneration properties can generate greater returns to investors, which echoes the similar findings of other studies such as Adair et al. (2002).

8.4.3 Competitive Planning System

Another element for promoting the city competitiveness of Manchester revealed in this research is the efficiency of its planning system in line with the SRFs published by the Council, which demonstrates a high degree of flexibility and adaptability in the application and negotiation process. The features of this flexible and adaptable approach mastered by the MCC make 'doing business with a local authority' not 'a painful experience' anymore. This provides the reason and incentive for private actors who are more willing to join in the partnership with the MCC. The reputation of the MCC of 'being pro-business' and 'easy to work with' has been established over the past few decades and debatably from the point of some interviewees, becomes like a magnet attracting businesses and investors into Manchester. The respondents from the private sector welcome a clear direction from the planning documents and the MCC to guide the future development that gives them more certainty about the specific requirements and vision in its locations. They actually value the purpose of the planning system to control and check the quality of the proposed developments for better outcomes but point out that a good planning system with efficacy requires sufficient resources and time is not the only factor to consider a desirable development proposal. These comments express a different stand from a notion that 'planning has held back an otherwise efficient, self-regulating market that, if increasingly freed from its constraints, would be able to more rapidly deliver development' (Adams et al., 2016). In the case of Manchester, it is evident that leadership with a proactive approach is deemed to be crucial for regeneration development because it is normally expensive and time consuming involving many complicated issues, which requires local government's backing to ensure its

success. The findings of this study seem to display a similar view contended by Adams and his colleagues in the 2016 report stating, 'Strong local authorities working to generate a compelling vision for the future of their locality should be valued as a key element of effective planning'.

The investigation of this research also highlights the importance of the Council's support to developers and investors which increases the strength of the competition in investment if other local authorities are regarded as more difficult to approach and unwilling to support the development process. The MCC demonstrates its ability to assist development with its regulatory power and connections for other public resources in this dimension by using its power to leverage private investment into regeneration areas where public investment can likely mitigate development risk and incentivise the private sector to invest in regeneration development. The SRFs de-risk the process of obtaining planning permission since they provide developers specific requirements from the local planning authority to approve a development proposal if additionally it has been consulted on by the City Council. This responds to the notion that 'development plans and the development control process may actually be quite efficient in signalling potential outcomes to market participants' (Adams et al., 2016). Some interviewees, however, still regarded the planning system as a barrier for a better development not only due to the complexity of the procedure and processes but also the time for negotiation, consultation, rejection and resubmission as well as appeal. Nevertheless, the overall opinion on the performance of the MCC in facilitating development in the planning process has been a positive one due to the strong leadership and clear vision on how to grow and bring the city forward for the future.

8.5 Conclusion

The following section presents a brief summary of the discussions and findings of this study. The policy direction of urban regeneration in Manchester city centre from 1967 to 1996 has been in line with the evolution and growth of the office market. During the same period, most post-industrial cities in the UK encountered similar economic and social problems in their urban areas. At the same time, the trajectory of the national economic development pointed to the rapid rise of the finance and services sectors that demanded more office spaces. The challenge for these cities was not about what to target their potential opportunity for economic growth in competing for this new growing economic force but how to capture and maximise the share of this opportunity. It was not a surprise that local authorities of these cities have eyed new job creation in the finance, banking and services sectors. Neither was it an exception that regeneration developments were employed as a convenient vehicle to assist with the requirement for constructing new modern office buildings matching the expected demand. Rather the questions that should be asked are, 'Among these cities why have some successfully captured this opportunity, new jobs and expanded the scale of their office markets, such as Manchester or Birmingham, but others have not managed to do the same such as Liverpool or Sheffield? To realise their ambitions, how have the political leaders and local planning officers in the case of Manchester pulled everything together with private partners within an institutional framework and partnership arrangements from the initial onset for setting the vision and policy direction, policy design, producing planning documents, forming public-private partnerships to the final phase for the completion of the project?'

From the outset, this research initiates a journey to examine the policy impact on the process of market evolution from the stage of a newly created market to a well-established one in the context of economic sustainability, referencing the level of Market Maturity, Economic Resilience and Competitiveness for Investment by investigating the Manchester regeneration office market from 1967 to 2017. The findings display a mixed and complicated picture on the state of market sustainability in the Manchester office sector over these five decades. With an overall impression, the market condition of the Manchester office market in 2017 seems to have become more mature, economically more resilient and obtained a better position in competition for long-term investment as a city in comparison to the state of the office market in 1967. For the Market Maturity dimension, this study evaluated the level of property values and the presence of institutional investors together with the decision-making process and the results show that the policy input such as planning documents as well as the attribute of political leadership have shaped and made the regeneration office market in Manchester more mature and stable through fostering a positive business environment, increasing the confidence in investment and placing sufficient resources to enable regeneration development to be delivered.

With regard to the indicator concerning Economic Resilience of the Manchester regeneration office market, it is noted that the market performance from the property database suggests the Manchester office market seems to have responded to property cycles more resiliently over time but the slow recovery after the 2008 GFC in rental value and investment volumes raises some concern over the true nature of economic resilience in this market. This aspect may require more data and further research. However, the economic strategy on local

development and economy designed by the MCC demonstrates its attempt to foster variant industries in pursuit of a high level of economic diversification.

The last indicator explores the dimension of Competitiveness for Investment in the regeneration market. The results of the research conclude that, in general, a clear vision and strong political leadership through the PPPs have worked effectively to deliver the regeneration projects in Manchester and together with the efficient operation of the planning system have encouraged a stronger stand as a city to compete for investment to be injected into regeneration areas. Considering these three measuring indicators collectively, the evidence and findings of this study seem to lead to the belief that regeneration policies have had a positive influence on the economic sustainability of the real estate market in Manchester.

Through the evidence from the statistical data of office market development in Manchester as well as the interviews, the crucial success factors of regeneration developments in the city centre refer to a strong visionary political leadership with the enhancement of long-term political stability, effective urban governance of the PPPs and a flexible and indicative planning framework. All these elements have enabled the Manchester office market to move along with the continuous boom of the financial sector nationally and globally that fuelled the demand for office spaces. The combination of these positive conditions gave rise to the expansion of the office market that gradually became economically sustainable due to the increase of Market Maturity, Economic Resilience and greater City Competitiveness.

Chapter 9. Conclusions

‘...for a variety of economic and social reasons, the relationship between public policy and the structure and operation of property markets is important’. (Adams et al., 2005:4)

9.1 Introduction

This chapter synthesises the research questions and the findings of empirical analyses in order to respond to the initial inquiry of this study concerning the market implication of regeneration policies in the office sector at the metropolitan scale in the context of promoting economic sustainability. Three research questions have guided this thesis to examine the effectiveness of regeneration policies at a city level in creating economically sustainable real estate markets by looking at the case of Manchester office market since the late 1960s over a fifty-years’ time span. In the context of state-market relations, a conceptual framework of market sustainability has been proposed to encompass three key concepts identified through the review of literature in the fields of real estate and planning studies, namely Market Maturity, Economic Resilience and Competitiveness for Investment. These three notions have been applied all the way through this research to investigate the extent of the market performance in the Manchester office sector to provide evidence of reaching the state of economic sustainability. They have been used to explain the attempts and rationale of the City Council directly and indirectly to draw in the private interests to invest and ‘do businesses’ in Manchester, particularly, the dimension of the involvement of institutional investors in financing regeneration developments.

The objective of this research was to document, describe and explain the complex nature of the relationship between regeneration policies and property markets in the case of Manchester. The research investigated the changing dynamics of local policy implementation and economic development through the case study of the Manchester office market from 1967 to 2017. Additionally, three sets of local office indices were constructed to assess the quantitative movements of the market performance indicating the level of economic sustainability in Manchester city centre. Finally, an analytical framework embedded in the notion of market sustainability was employed to understand how the role of municipal political leadership influenced the behaviour and motivated market actors who operated in the regeneration office market in Manchester.

This chapter is structured as follows. The first section addresses the importance of placing the state-market relations in the central position for discussing the interplay between urban regeneration policies and market evolution in the built environment in the setting of achieving economic sustainability. The next section delineates the main findings with regard to assessing the development of a sustainable office market in Manchester against the metric of economic regeneration. Then a brief section explains the contributions of this research to the knowledge of urban studies. The final section discusses the limitations of this study and points out possible new paths for future research.

9.2 State-market Relations, Regeneration Policies, Economic Sustainability

As discussed in the previous section, this research aims to unravel the multifaceted layers of the linkages between the state-market relations, regeneration policies and economic sustainability of property markets. This section is dedicated to describing what the evidence of this study has revealed as the plausible explanation concerning the primary research question.

9.2.1 Political Leadership for Vision and Delivery

‘Sense of place’ is widely accepted as an important element for regeneration policy that is particularly evident in ‘commercially-driven modes of regeneration’ by place promotion and marketing (Jones and Evans, 2012). This accentuates state–market relations in land and property as an essential context for spatial planning since ‘place-making requires robust connectivity between vision and delivery’ (Adams and Tiesdell, 2010). This can be fulfilled effectively by connecting political authorities, here including both planners and local political leaders, and implementation actors, here also including property developers and investors (Albrechts, 2006:1161), through a form of mutual learning (Faludi’s, 2000) by spatial planning. To link city vision, regeneration policy and real estate market, this research adopted and extended Tiesdell and Allmendinger’s analytical framework on the market implication of planning system identifying four major planning tools that would shape, regulate, stimulate property markets and also build up their capacity.

This framework stresses the potentially important role of planners who can fulfil the role of market actors; this view is in agreement with the opinion of Adams and Tiesdell (2010). However, this research argues that this framework should also

take into account political power and relations in the decision-making process since local politicians normally have greater and more decisive influence on planning decisions over property developments than planners including those associated with regeneration strategic frameworks. One of the essential functions that local political leaders perform is to provide and materialise their vision (Leach and Wilson, 2002) for their cities and communities. The findings of the work outline the dominant role of the city vision brought forward by the Council leaders and part of this vision has been materialised through the regeneration strategies and property developments in Manchester.

9.2.2 Evaluation Framework of Market Sustainability

Through the review of literature in chapters 2 and 3 as well as the government's policy documents summarised in chapter 5, this research selects the three arguably most relevant indicators comprised in the evaluative framework to determine whether a regeneration real estate market is economically sustainable. They are selected to represent the essential concepts that are highlighted by the British regeneration policies as well as the disastrous event of the Global Financial Crisis in 2008 and to question how we can better evaluate the economic outcomes of regeneration policies and provide useful insights for future policymaking. Chapter 4 describes theoretically how these indicators are measured and exhibits the analytical process on statistical data of a property index focusing on the office market in Manchester city centre from 1967 to 2017 (with data available from the 1980s) in Chapter 6 as well as qualitative interview data with key market actors involved in regeneration developments in chapter 7. Then chapter 8 integrates both numerical data analysis on market performance

and thematical interpretation of interview transcriptions by employing the typology approach.

9.2.3 Interplay Between Regeneration Policy and Market Dynamics

Chapter 5 examined the secondary data of the City Council's planning documents, published regeneration strategies as well as other relevant reports on the evolution of regeneration policy and the office market in Manchester and provided a background for further analysis on the interplay between regeneration policy and market dynamics. The strategy of the 1967 Plan that targeted office market for future developments was based on the economic consideration capturing the trend of the growth of the finance and service sectors; at this stage the evolution of the property market in Manchester was substantially shaped and stimulated by planning policies (p. 7). By 1996, the Manchester office market was promoted by the City Council as 'the second largest office market outside London', a similar observation is resonated by one of the developers interviewed, reporting that 1996 was a turning point for office market in Manchester as the city underwent a mega-scale regeneration scheme due to the IRA Bomb as well as the new political era as Sir Richard Leese became the Council leader and two years later in 1998, Sir Howard Bernstein became the Chief Executive.

Chapter 5 not only summarised the Council's regeneration strategies explaining the beginning of the office market development in the City Centre before the 1970s but also shed a light on how expanding and enhancing the office market became one of the primary aims of the Council's regeneration strategies in order to foster the city's economic activities and attract inward investment. Additionally, it offered a detailed review on how the MCC handled its relationship with the central governments over time in terms of obtaining limited regeneration funding

and political power in a fashion of public-private partnership, which then evolved into the MRR that forms a foundation for the city-region concept and the notion of the Northern Powerhouse.

9.3 Key Findings on Economic Sustainability in the Manchester Office

Market

The next part focuses on the key findings discussed in the empirical chapters 5, 6, 7 and 8. They are logically categorised by the three hypotheses brought out in the beginning of the thesis to testify to the usefulness of the concepts of market maturity, economic resilience and competitiveness for investment as evaluative indicators for market sustainability in the context of urban regeneration policies.

9.3.1 Market Maturity of a Sustainable Real Estate Market

The first hypothesis of this study is concerned with the dimension of market maturity in a sustainable regeneration real estate market. It assumes that 'a regeneration real estate market is deemed sustainable if it demonstrates the sign of market maturity reflected in the stable price movement of rental value and growth'. This research adopts the approach of measuring market maturity in a sustainable market employed by Jones and Watkins in their 1996 paper suggesting that market rents or capital values of properties for a mature and sustainable regeneration market would rise to the long-run average rent in comparison to other mature and well-established markets. As discussed in the previous section, office developments have been emphasised and encouraged by regeneration policies in Manchester since the 1970s when the scale of office market was relatively meagre and immature.

The findings of quantitative analysis in chapter 6 revealed that the economic scale of office market in Manchester, which has grown in size from 3.5 million square feet of office space in 1967 to 22.24 million square feet by 2016, was deemed positive in parallel with the growth of market maturity. This phenomenon also reflected the consistent trend of the market size enlarging in conjunction with the increase of rental growth in regeneration areas of the Manchester office market. The continuous supply of office space over five decades resulted in a stockpile of a sizeable quantity of regeneration properties that became influential and important on market performance due to the aggregation effect of this substantial stock. The fact that property-led regeneration prevailed during this period indicates the inextricable connection between the policy impact and the evolution of market development in this case.

The MRR underlines the prominent inclusion of regeneration policies in municipal strategies to promote and deliver economic growth and business development in Manchester with the assistance of additional market information on regeneration properties gradually becoming accessible over time. The lack of sufficient market information regarding rental value before 1984 denotes that the Manchester office market, particularly in regeneration areas, was less efficient and mature. This inefficiency of market information becomes a significant obstacle for data analysis and prediction of future returns which are critical indicators for the decision-making of property investors, especially institutional investors. The findings of the interview data indicate that the attitude of institutional investors to the possibility of investing in the regeneration market took a positive turn on risk since they are now able to access more information on the level of return and growth achieved in regeneration markets. This optimistic stand from property

investors corresponds to the proof that the movement of rental value and growth, as evidenced by lower standard deviations discussed in chapter 6, has gradually stabilised in the regeneration office market from 1984 to 2017, which is another signal of market maturity.

9.3.2 Economic Resilience of a Sustainable Real Estate Market

The quantitative evidence in chapter 6 demonstrated that during property cycles, the regeneration office market in Manchester city centre between 1967 and 2017 did not indicate less volatile fluctuation of investment risk and property value to reflect economic resilience. The findings of data analyses implied an inconclusive and unclear result. The Manchester office market was regarded as arguably more resilient in comparison to Birmingham and Glasgow in terms of measuring how quickly a city bounces back from the low point of a property cycle; however, the economic resilience of the regeneration market in Manchester was considered less resilient than the rest of the office market as a whole because of the higher risk perceived by investors. The thorough understanding of investment risk is critical for any decision-making process of market actors, especially for property investors, developers as well as potentially city planners and policymakers. Consequentially, it is useful to investigate how well private and public market actors understand the notion of investment risk in the property market and what they have learnt mutually from each other. The evidence suggested that the public actors of the MCC were equipped with basic and partial knowledge on market conditions supplied by purchasing agency's reports but gave less attention to the comprehensive implication of medium and long-term market behaviour and the possible disturbance or enhancement of planning policies on economic volatility and thus market sustainability.

9.3.3 Competitiveness for Investment of a Sustainable Real Estate Market

The evidence in chapter 6 showed that from 2009, the market performance of the office sector in Manchester has outperformed both of the markets in Birmingham and Glasgow, showing greater appeal in competing for property investment. The findings hinted strongly that the effective city governance in the PPPs as well as the strong city leadership of the MCC has undeniably enhanced the fruitful outcomes of regeneration policies by building up a 'pro-business' city image. This impressive image of the city in the marketplace at the national level highlighted the effective outcomes of place promotion and marketing as an entrepreneurial city which provided a safe and supportive environment for business and investment activities. With regard to property developments, the relationship between private actors and the City Council established through public regeneration partnerships, the so-called MRR, proved to be relatively effective and strong for policy implementation but at the same time became a barrier for other market actors to gain equal access. The evidence demonstrates the importance of visionary and strong political leadership on facilitation of communication and power relations among public bodies and private partners in accomplishing regeneration developments.

9.3.4 Economic Sustainability of the Manchester Regeneration Office

Market

The primary question of this research inquires as to whether the effectiveness of urban policy could possibly foster the economic sustainability of the regeneration real estate market by strengthening the scope of maturity, resilience and competitiveness with the influence of municipal planning instruments and political leadership through regeneration policies. In a nutshell, the Manchester

regeneration office market demonstrated overall economic sustainability when evaluated by the level of market maturity, the strength of economic resilience and the scope of competitiveness for investment and evidence indicated that regeneration policies debatably had an indirect but positive impact on the evolution of property market in Manchester from 1967 to 2017 according to the defined measurements in this thesis. The research findings concluded that 'vision-led' regeneration policies effectively shaped the development of the property market in achieving a higher level of market sustainability. To attract institutional investment into regeneration, a clear and viable vision of how to regenerate the deprived areas in a city from a local authority was deemed an essential factor and in the case of Manchester, the effectiveness of regeneration strategic frameworks utilised by the MCC proved a plausible approach to effectuate this aim. This is because they were regarded as a useful implementation mechanism for enhancing investment certainty with the backing of the MCC to boost confidence and competitiveness for property development and investment.

The potential benefits of fostering market sustainability in regeneration areas result from the achievement of the ultimate goal whereby not only the adversities causing market failures have been removed but also such a market is able to sustain itself without the need for public funding. However, the findings of this research together with other studies pointed out the limitation of market-driven regeneration policies particularly associated with the nature of property market dynamics. Property markets are inevitably prone to cyclical movements and there is not much that the local government can do to prevent the falling rental values in property during the economic downturns. This is a fundamental problem that

can threaten the stability and reliability of public policy that heavily relies on the success of regeneration developments for providing infrastructure, commercial spaces and housing as well as property markets for generating the tax revenue and capital profits. This point might be of value for policymakers in formulating long-term strategies.

9.4 Contributions of This Research

Three areas of this research have essentially contributed to the knowledge in the urban studies comprising firstly, the school of the political economy of institutionalism (PEI) in the market impact of regeneration policies; secondly, the proposal of the evaluative framework on policy outcomes of achieving market sustainability through urban regeneration; thirdly, the newly constructed regeneration office index for the improvement of information efficiency and market transparency.

9.4.1 Economic Paradigm Versus Market Paradigm

This research has made a contribution to the growing debate about the economic sustainability of city resurgence (Cheshire, 2006) through regeneration policies after suffering shrinkage (Ortiz-Moya, 2015) due to de-industrialization, which has been examined in the school of the new economic geography (Champion and Townsend, 2011) as well as the PEI (Adams, et al., 2005:44). While the themes of regeneration policies have been altered in accordance with different prevailing trends of political ideologies promoted by the governments in power over time, property development nevertheless remains a popular implementation instrument to deliver the objective of attracting private-sector investment (Adair et al. 2005:150).

Additionally, some scholars have highlighted that our understanding of the relationship between property markets and the urban economy is at best partial since there is a limited theorisation of property markets in the analysis of urban economic performance, which reflects a tendency in much of the urban literature to regard property markets as unproblematic (Campbell et al. 2014:47; D'Arcy and Keogh 1999). This research has added some new insights in the exploration of the connection and distinction between 'the economic paradigm' versus 'the market paradigm' in the context of the policy implications. The complicated interplay of the state-market relations in land and property acts as an important context for spatial planning to reveal the connectivity between vision and delivery for place-making. This research responds to the call by Adams and Tiesdell (2010) for more research to examine the nature and relationship between urban policy and property markets, particularly on the strategic role of regeneration property after the recent financial crisis and subsequent property market downturn (Haran et al. 2011:76).

9.4.2 Conceptual Framework of Market Sustainability

The time-span of many regeneration policies tends to be short lived, potentially limited to several years, which makes policy evaluation on long-term effects difficult and problematic. While keeping in mind the limitations of the theoretical framework proposed in this thesis, particularly the extent of its robustness, nevertheless the conceptual framework of market sustainability introduced in this research could possibly provide a relatively comprehensive approach that attempts to explain the relationship between regeneration policies and property markets from the standpoint of achieving market sustainability and to appraise policy outcomes following the idea of Jones and Watkins (1996) who contend the

concept of sustainable markets as the ultimate goal of urban policy to take a more centralised position in the debate for real estate and planning studies.

The event of the Global Financial Crisis in 2008 highlights the relevance of utilising these concepts concerning market resilience and city competitiveness together with market maturity defined in this study to form a conceptual framework to explain the idea of a sustainable market in regeneration areas and assess the success of regeneration policies on a longer term horizon through reviewing the relevant literature in Chapter 2. There are three essential concepts identified to evaluate the level of market sustainability in property, involving the state of market maturity, resilience and competitiveness for long-term investment as illustrated in the diagram above. This conceptual framework provides a foundational structure for the research design of this study. This approach takes a more dynamic and holistic view of the goals of regeneration policies to inquire how we can assess these outcomes from the angle of economic sustainable development in the built environment.

9.4.3 Regeneration Office Index

The information concerning the market performance of regeneration markets in the UK has been increased over the past decade, however, there is still relatively little knowledge regarding the investment performance of property in regeneration areas, particularly at the local scale. As pointed out by D'Arcy et al., (2005), the lack of rigorous and consistent measures of market performance in regeneration locations has acted as a major deterrent to encouraging institutional investors to invest in urban regeneration areas even though government and regeneration agencies have been keen on increasing institutional involvement and attracting private finance. This research has contributed to this gap of missing data by

collecting market rents and then constructing two sets of the property index which consist of the rental and capital values respectively of the regeneration properties and mainstream properties in Manchester city centre during the period from 1979 to 2017. As discussed in the literature review chapter, the data in most of the available property indices collected consists of wider aggregated areas where the statistics of regeneration properties are relatively lacking or not available. The fragmented market information is likely to undermine the accuracy of market analysis or, in the extreme event, to prevent meaningful investigations on the dynamics of regeneration property markets.

This approach is utilised to assess the performance of the regeneration property market against the performance of the mainstream property market in Manchester to testify as to whether the property market in regeneration areas has reached its market maturity as well as whether its level of growth is in line with the rest of the mainstream market in the city centre. The rationale of this approach is in agreement with the view of McGreal and his colleagues (2004) that, 'the success of urban renewal strategies is inextricably linked to the performance and operation of real estate markets,' since 'regeneration arises where real estate markets are fragile, the private sector is cautious about investing and the level of economic activity is in a state of decline' (Amin and Thrift, 1995). Therefore, regeneration areas have been considered by the private sector as zones of risk and uncertainty and require some form of public sector intervention to stimulate market activity.

9.5 Areas for Further Research

Following the findings of this research, the impact of political vision evidently left some mark on the outcomes of regeneration policies translated into the office market of Manchester city centre in the past fifty years that requires more research to explore the dual side of regeneration property in the perspective of the economic and political dimension.

Based on the work undertaken in this thesis, the application of the conceptual framework regarding market sustainability on the housing market could be beneficial for assessing the policy outcomes of regeneration initiatives, such as the impact of the popularity of city centre buy-to-let apartment developments on affordable housing in the inner cities. The rationale of this framework emphasises the usefulness of the state-market relations in land and property, which could shed a new light on the housing policy through regeneration development and its impact on the evolution of housing markets at the metropolitan, regional and national scales.

More attention could be drawn to undertake comparative research with regard to other similar cities in the UK or in other global cities. This could be particularly useful to find out the similarities and differences in other countries which operate divergent planning systems which therefore lead to disparate state-market relations in land and property with, for example, interesting cases including cities in the Global South, especially in Asia and Latin America.

Additionally, more research is required to investigate the market implication of regeneration policies at the city region level with a focus on the effect of the economic agglomeration derived from state-driven property developments on the regional growth through the lens of economic sustainability.

The new data collected in the regeneration property index concerning the Manchester office market could be analysed by more sophisticated econometric modelling techniques, such as a regression method or hedonic price method, in order to explain the interplay between regeneration policies and market behaviour from varying aspects and dimensions. Also it is important to search for solutions to overcome the problem of the limited sample size.

Finally, the post effect of the pandemic outbreak that has triggered a lockdown in many countries including the UK has forced a radical shift in working habits and these behavioural shifts could bring profound long-term changes to the future of office market (The Economist, 2020). This presents an urgent need for future research to examine the impact of this kind of external disaster on the economic sustainability of office markets since firms will rethink their organisation's use of physical space and look towards their longer-term strategy as to what extent a physical office is still required (Bagust, 2020) or which types of office spaces will be suitable for flexible working.

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Appendices

Appendix 1. The CoStar Building Rating System: 5-star and 4-star office

RATING	GROUP	DEFINITION
★★★★★	A 5-Star office building is exemplary of a state-of-the-art, category defining structure that represents the latest trends and quality in design and construction, prominent in its context or of a landmark status, and very likely a certified sustainable and energy efficient building. Buildings rated to exhibit the nation's current set of highest quality structures and form the benchmark of current excellence in office buildings.	
	Architectural Design	Exterior Materials/ Façade High-quality durable materials – natural stone, glass, well detailed metal panels; accentuating lighting.
		Lobby/Common Areas Double height or atrium lobby with top quality finishes/materials and artwork, clear and intuitive layout for visitors, comfortable waiting area, accentuating lighting, high level of finish in other common areas and elevator cabs/lobbies.
		Fenestration/ Glazing/ Views Full height glass, corner windows, abundant natural day lighting, generally available exterior views, high ratio of glazed to opaque exterior walls, highly efficient glazing specifications.
		Overall Aesthetics Positively differentiated from background buildings yet contextually appropriate. Representing current trends and standards in design and/or of a timeless, perhaps a historic quality. Aesthetically exceptional arrangement of forms, massing and materials. Likely designed by a notable or signature architect.
		Access Clearly articulated entrance identified with an architectural feature; truck and service entrance distanced from main entrance.
	Structure/Systems	High ceiling heights/slab-to-slab dimensions, efficient and virtually column free floor plans; modern energy-efficient HVAC, digitally controlled building automation systems, individual control/VAV units, efficient elevators with continuous shafts serving parking levels and upper floors, dedicated freight elevator. These buildings are likely to be constructed recently or undergone a significant renovation.
	Amenities/ Management	Concierge, on-site management, fitness center, services (dry cleaning, shoe repair, etc.), security with streamlined ID and badging process, on-site conference facilities, bicycle storage, shower facilities, and other highly demanded amenities.
	Site/Landscaping/ Exterior Spaces	Continually maintained landscaping where applicable; exterior gathering spaces, roof terrace or courtyard.
	Certifications	Very likely a certified/labeled green and energy efficient building.
	At a minimum level, a 5-Star building typically includes the following: exterior materials listed above, a glazing ratio of approximately 75%, 12' slab-to-slab dimension, a column free floor plan, a regular floor plate shape, and multiple desired amenities.	
★★★★☆	A very high quality building that maintains market leadership through the strength of its initial construction, continual above average maintenance and desirability for tenants and investors over time. These buildings are likely to be older than the current 5 Star set.	
	Architectural Design	Exterior Materials/ Façade High-quality durable materials – likely similar to 5 Star type yet possibly exhibiting signs of age and wear.
		Lobby/Common Areas Large lobby with clear circulation, above average finishes, comfortable waiting area.
		Fenestration/ Glazing/ Views Full height glass or ribbon windows/large punched windows, great natural day lighting and views.
		Overall Aesthetics Positively differentiated from background buildings yet contextually appropriate. Representing recent trends and standards in design and/or of a timeless, perhaps a historic quality.
		Access Clearly articulated entrance identified with an architectural feature, truck and service entrance distanced from main entrance.
	Structure/Systems	Likely to have some 5 Star qualities, or of a prior generation of buildings.
	Amenities/ Management	Likely to have some 5 Star qualities, possibly without service oriented amenities.
	Site/Landscaping/ Exterior Spaces	Well maintained landscaping where applicable; likely to have exterior gathering spaces, a roof terrace or courtyard.
	Certifications	Likely a certified/labeled green and energy efficient building.

Appendix 2. UCL research consent form

Informed Consent Form [INSERT YOUR DEGREE] dissertation research

Please complete this form after you have read the Information Sheet and/or listened to an explanation about the research.

Project Title:

Researcher:

Thank you for your interest in taking part in this research. Before you agree to take part, the person organising the research must explain the project to you.

If you have any questions arising from the Information Sheet or explanation already given to you, please ask the researcher before you to decide whether to join in. You will be given a copy of this Consent Form to keep and refer to at any time.

Participant's Statement

I agree that:

- I have read the notes written above and the Information Sheet, and understand what the study involves.
- I understand that if I decide at any time that I no longer wish to take part in this project, I can notify the researchers involved and withdraw immediately.
- I consent to the processing of my personal information for the purposes of this research study.
- I understand that such information will be treated as strictly confidential and handled in accordance with the provisions of the Data Protection Act 1998.
- I agree that the research project named above has been explained to me to my satisfaction and I agree to take part in this study.

Signature:

Date:

Statements which researchers MIGHT include as appropriate:

- I understand that my participation will be taped/video recorded and I consent to use of this material as part of the project.
- I agree to be contacted in the future by UCL researchers who would like to invite me to participate in follow-up studies.
- I understand that the information I have submitted will be published as a report and I will be sent a copy. Confidentiality and anonymity will be maintained and it will not be possible to identify me from any publications.
- I agree that my non-personal research data may be used by others for future research. I am assured that the confidentiality of my personal data will be upheld through the removal of identifiers.
- I agree that my name, job title and place of work may be identified in the final report, and waive the right to anonymity for the purposes of this research.

This is not an exhaustive list and you should consider whether you need to amend any of these statements or design different ones that are more applicable to your research.

Appendix 3. Sample Interview Outlines

For Institutional Investor

1. The process of investment decision-making

- As a property fund manager, what are the key criteria of choosing the potential investment properties for the portfolio?
- How does the risk element perceived influence the process of the decision-making?
- How do you normally determine where you are going to invest?
- What is your view on the phenomenon of 'north-south divide' or 'the London property nexus' that office investments, global investors and agents have concentrated in London and southern England, which has led to the formulation of a dense web of social interrelations?
- What would you comment on the debate concerning location bias on investment decisions due to the perception of returns that can be achieved?
- Do you think that the greater familiarity of London market has influenced the decision of London-based institutional investors who accordingly prefer London over other regional locations?

2. Property market & regeneration policies

- Have regeneration policies affected the investment strategies of property fund managers over these years?
- More information related to the performance of regeneration markets in the UK has proliferated in recent years, for example, the publication of IDP regeneration property index. Has the increase of this information efficiency encouraged you to consider this market for your portfolio selection?
- Over the past few decades, the UK governments have encouraged the private sector, particularly institutional investors, to invest in regeneration areas. have you witnessed this happening?
- More evidence from research studies has demonstrated the better long-term performance of regeneration properties. Has this evidence

promoted more interests in regeneration markets among institutional investors?

3. Three indicators of market sustainability: market maturity, economic resilience, and competitiveness

- Based on some reports and statistics, regeneration properties in Manchester seem to perform more resiliently after the 2008 global financial crisis than the non-regeneration ones, how could we explain this phenomenon?
- The continuous increase of office spaces in Manchester could be interpreted as a sign of growing city-region competitiveness for investment. What is your view this interpretation?
- What is your opinion on the role of regeneration policies that may or may not influence the level of city competitiveness in the perspective of local economic development?

4. The role of local government in regeneration

- It is recently claimed that the image of Manchester has been re-branded as the 'Northern Powerhouse', which a city attracts entrepreneurs and knowledge-based/creative industries. Do you think Manchester works as a city brand that helps attract private investment including big investment institutions? For example, has any property funds of your firm invested in Manchester office market in the past decades?

For Estate Agent & Property Consultant

1. Property market & regeneration policies

- Under your knowledge, do you know any regeneration developments in the Manchester city centre since the 1970s?
- From your view, have regeneration policies affected property investment market in Manchester city centre? Were they positive or negative responses?
- What do you think the effectiveness & efficiency of MCC in terms of developing the city centre and promoting economic growth of the city?
- Do you think MCC has a strong leadership? Has this led to a success of city development & economic growth?

2. Re-let-ability & sale popularity

- From your experience, are there any difficulties to let or sale regeneration properties comparing to mainstream properties? Use office market as an example.
- How about the frequency of sale/re-let transactions of regeneration properties?
- Any disadvantages on lease terms due to the nature of regeneration properties comparing to non-regeneration ones?
- Void period/vacancy rate of regeneration properties?

3. Investment prospects

- Types of Freehold owners & long leasehold head tenants (any institutional investors)
- Types of new developments in regeneration areas/ types of investors & developers
- Do you think that Manchester has attracted more investment/new businesses into property market, particularly office market?
- If yes, do you think that regeneration policies have help?

4. Property market & land use regulations

- Regeneration policy works hand in hand with land use regulations; do you think they make local property market more efficient?
- How has land use policy influenced property market in regeneration areas?

- What is the best balance between land use control and free market?
- Has regeneration policy grasped the good balance between them?

5. Market resilience & competitiveness

- Regeneration properties in Manchester seem to perform more resiliently after the credit crunch than mainstream ones, how could we explain this?
- The continuous increase of office spaces in Manchester suggests growth of city/region competitiveness. Do you agree with this view?
- Have regeneration policies help the growth of competitiveness in Manchester?
- Being one of the de-industrialised city, Manchester has gradually departed from the image post-industrial city as a way of re-branding itself towards an entrepreneur/knowledge-based/creative city image. One of the objectives to re-brand the city image is probably to attract more inwards investment, have you seen this happen?

For Property Developer

1. Property market & regeneration policies
 - Since the 1970s, how have regeneration policies affected property investment market in Manchester city centre?
 - Were they positive or negative responses? Any cases or examples?
 - How do rental & capital values of properties respond to the regeneration policies?
 - How have regeneration policies affected property developments?
2. Property market & land use regulations
 - Regeneration policy works hand in hand with land use regulations; do you think they make local property market more efficient?
 - How has land use policy influenced property market in regeneration areas?
 - What is the best balance between land use control and free market?
 - Has regeneration policy grasped the good balance between them?
 - How did you change the use of an old mill into a new apartment block or office spaces?
3. Three factors for market sustainability: market maturity, resilience & competitiveness
 - Regeneration properties in Manchester seem to perform more resiliently after the credit crunch than mainstream ones, how could we explain this?
 - The continuous increase of office spaces in Manchester suggests growth of city/region competitiveness. Do you agree with this view?
 - Have regeneration policies help the growth of competitiveness in Manchester?
4. The role of local government in regeneration
 - Some commentators praised the outcomes of regeneration policies in Manchester have been successful. Do you think whether this has been partly resulted from a strong leadership in the Council?
 - I learnt that the current chief executive Sir Howard Bernstein is to retire next year. Any impact on the leadership of the Council?
 - Being one of the de-industrialised city, Manchester has gradually departed from the image post-industrial city as a way of re-branding itself towards an

entrepreneur/knowledge-based/creative city image. Has the Council deliberately adapted this approach in the strategic development plans?

- One of the objectives to re-brand the city image is probably to attract more inwards investment, have you seen this happen?
- Has Manchester attracted more new businesses to move here since the 1970s?

5. Investment prospect

- Who have been the investors to finance your developments over the years? Any institutional investors?
- Over the past few decades, the governments have encouraged the private sector, particularly institutional investors, to invest in regeneration areas. Has this been achieved?
- More research has supported better long-term performance of regeneration properties; has this evidence encouraged more institutional investors to invest in regeneration areas?

For Manchester City Council

1. Property market & regeneration policies

- Since the 1970s, how have regeneration policies affected property investment market in Manchester city centre?
- Were they positive or negative responses? Any cases or examples?
- How do rental & capital values of properties respond to the regeneration policies?
- What did the role of the market force play when the Council formulated the strategic plans for regeneration initiatives?

2. Property market & land use regulations

- Regeneration policy works hand in hand with land use regulations; do you think they make local property market more efficient?
- How has land use policy influenced property market in regeneration areas?
- What is the best balance between land use control and free market?
- Has regeneration policy grasped the good balance between them?

3. Three factors for market sustainability: market maturity, resilience & competitiveness

- Regeneration properties in Manchester seem to perform more resiliently after the credit crunch than mainstream ones, how could we explain this?
- The continuous increase of office spaces in Manchester suggests growth of city/region competitiveness. Do you agree with this view?
- Have regeneration policies help the growth of competitiveness in Manchester?

4. The role of local government in regeneration

- Some commentators praised the outcomes of regeneration policies in Manchester have been successful. Do you think whether this has been partly resulted from a strong leadership in the Council?
- I learnt that the current chief executive Sir Howard Bernstein is to retire next year. Any impact on the leadership of the Council?
- Being one of the de-industrialised city, Manchester has gradually departed from the image post-industrial city as a way of re-branding itself towards an

entrepreneur/knowledge-based/creative city image. Has the Council deliberately adapted this approach in the strategic development plans?

- One of the objectives to re-brand the city image is probably to attract more inwards investment, have you seen this happen?
- Has Manchester attracted more new businesses to move here since the 1970s?

5. Investment prospect

- How would an elected Mayor of Manchester influence the current governance on regeneration?
- Over the past few decades, the governments have encouraged the private sector, particularly institutional investors, to invest in regeneration areas. Has this been achieved?
- More research has supported better long-term performance of regeneration properties; has this evidence encouraged more institutional investors to invest in regeneration areas?

For Salford Council (one of GMCA members)

1. Property market & regeneration policies

- How have regeneration policies affected property market in the area you work? Were they positive or negative responses?
- Any cases or examples?
- How do rental & capital values of properties respond to the regeneration policy?
- To what degree has regeneration policy formulation taken market forces into account?
- The Chinese government are investing a substantial amount of money in Salford. It also has Media City and Salford Quays; do you think this is a spill-effect resulting from the popularity of the Manchester brand? Why or why not?

2. Property market & land use regulations

- Regeneration policy works hand in hand with land use regulations, do they make local property market more efficient?
- How has land use policy influenced property market in regeneration areas?
- What is the best balance between land use control and free market?
- Has regeneration policy grasped the good balance between them?

3. The impact of Manchester brand on other local councils of Greater Manchester

- Would you comment that part of Manchester success resulting in its regeneration schemes?
- Do you think Manchester as a city brand? The city image of Manchester has been re-branded.
- The continuous increase of office spaces in Manchester suggests growth of city/region competitiveness. Do you agree with this view?
- Have regeneration policies help the growth of competitiveness in Manchester?

4. The role of local government in regeneration

- What is the role of government in success of regeneration policies?
- How would you comment on the performance of Manchester City Council for delivering regeneration policies?

5. Investment prospect

- How would an elected Mayor of Manchester influence the current governance on regeneration?
- Over the past few decades, the governments have encouraged the private sector, particularly institutional investors, to invest in regeneration areas. Has this been achieved?
- Has Manchester attracted more institutional investors to invest in regeneration properties?

Appendix 4. Timelines of Key Development Plans and Events in Manchester

Year	Development Plans	Main Events
1945	City of Manchester Plan	
1961	Manchester development plan	
1967	Manchester city centre map	
1974/75		UK in recession.
1980/81		UK in recession.
1984	Manchester city centre local plan	• Graham Stringer took up the post as the council leader. • A bid for the 1996 Olympics Game
1986		Phoenix Initiative
1988	European Integrated Development Operation 1989-1993	
1988-1996		Central Manchester Development Corporation (CMDc) under the policy of Urban Development Corporations (UDCs)
1991	Urban Regeneration Audit (Economy review)	UK in recession.

1992	The unitary development plan for the city of Manchester.	
1993		• Second bid for the Olympics Game • City Challenge programme
1994	• City Pride – A Focus for the Future • Sustainability in Manchester • Economic development statement	
1995	• City development guide: draft • Manchester: 50 years of changes • The unitary development plan for the city of Manchester. • The Manchester report: outputs of global forum 1994	

	Selected to host the 2002 Commonwealth Games	
1996	- A Guide To Development In Manchester (after the bomb) - SPG for the bomb damaged areas.	- Sir Richard Leese became the council leader. 15 June 1996 IRA Bomb - Manchester Millennium Ltd (MML) founded - International Urban Design Competition for rebuilding bomb-damaged areas in Manchester city centre
1997	- SPG - City Pride 2	
1998		Howard Bernstein took the post as the Chief executive.
2001	City Pride Partnership	
2002	Manchester City centre strategic plan.	
2003	Manchester City Centre Strategic Plan 2004-2007	

2007	Guide to Development in Manchester Supplementary Planning Document and Planning Guidance Adopted April 2007	
2008/9		UK in recession.
2009	City Centre Strategic Plan 2009-2012	
2011	Manchester Core Strategy 2012-2027	
2012	Manchester's Local Development Framework - Core Strategy: Development Plan Document	
2015/2016	City Centre Strategic Plan 2015 – 2018 (Revised in 2016)	
2017	City Centre Strategic Plan	
2017		31 March 2017, Howard Bernstein stood down as the Chief executive.