



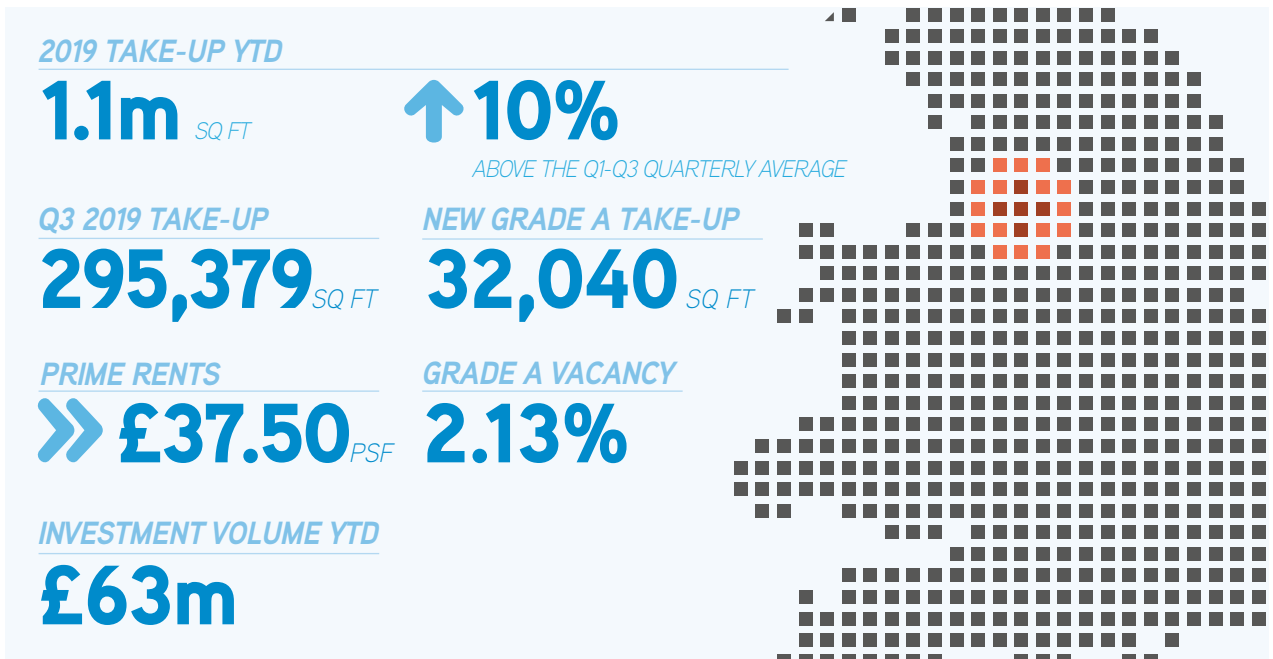
UNITED KINGDOM

# MANCHESTER

# OFFICES

QUARTER 3 | 2019





## TAKE-UP

Leasing activity in Manchester city centre for the first three quarters of the 2019 stood at 1,101,403 sq ft, which was 10% above the Q1-Q3 quarterly average of 1,002,849 sq ft. Q3 saw 295,379 sq ft leased in 71 deals. There are 56 deals in Q3 for transactions below 5,000 sq ft, comprised of 56 deals totalling 110,332 sq ft. Average quarterly take-up year-to-date was 367,134 sq ft. If the strong activity levels are maintained through to year-end, take-up looks set to reach 1,500,000 sq ft, which would be the second highest annual take-up level since 2018.

There were three deals above 25,000 sq ft this quarter, totalling 89,558 sq ft, one of which was for Grade A refurbished space, the other two for Grade B refurbished.

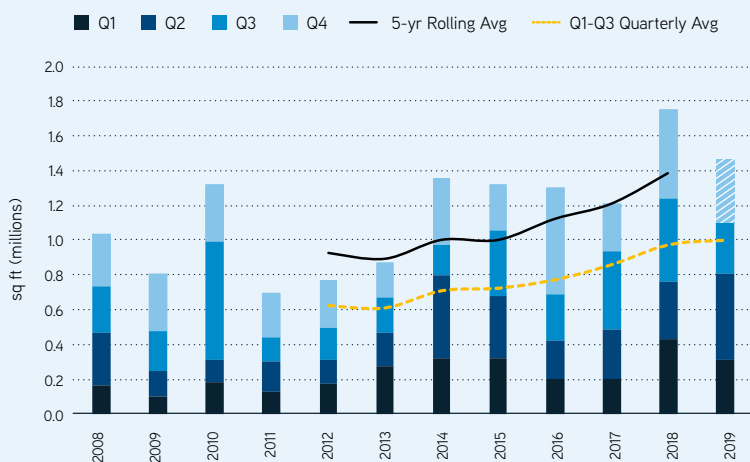
Business Services and Media and Technology occupiers dominated take-up in Q3, totalling 146,228 sq ft or 50% of total take-up. These sectors were also the most active in terms of the number of deals, totalling 30 out of the Q3 total of 71 deals. Year-to-date analysis showed that the Media and Technology and Serviced

Office sectors were the most active, with the acquisitions by Spaces and WeWork playing a large part in the strength of serviced offices take-up this year.

Net stock absorption levels remained positive, yet low in Q3, with Grade A net absorption year-to-date at 66,371 sq ft. 92% of all grade office space in Manchester city centre is occupied; whereas, 98% of Grade A offices are occupied. With very little new Grade A space coming to the market and nearly all Grade A space occupied, positive Grade A absorption is an indication of the steady level of demand in the occupier market for quality space.

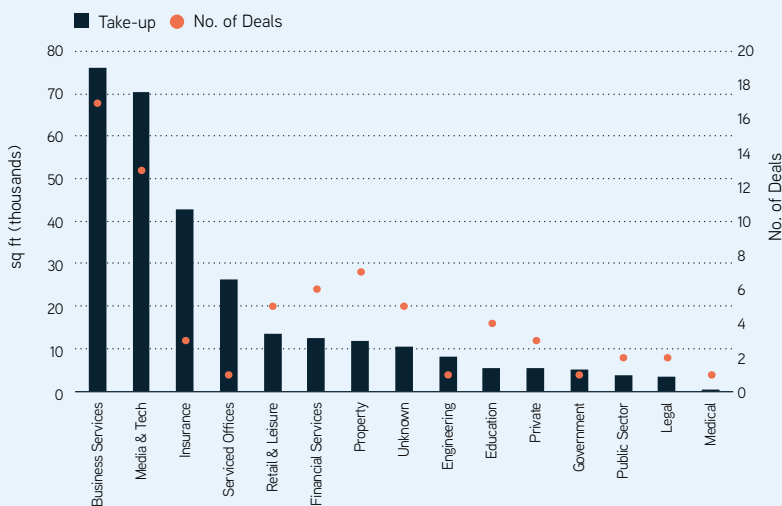
Grade A take-up accounted for more than 35% (393,856 sq ft) of total year-to-date take-up. Q3 new Grade A deals saw only three deals totalling 32,040 sq ft transacted. The largest Grade A deal this quarter saw Barings Bank lease 13,896 sq ft at Landmark. Q2 2019 provided the majority of the major Grade A deals this year totalling 254,892 sq ft.

**FIGURE 1: MANCHESTER OFFICE TAKE-UP**  
 by Quarter



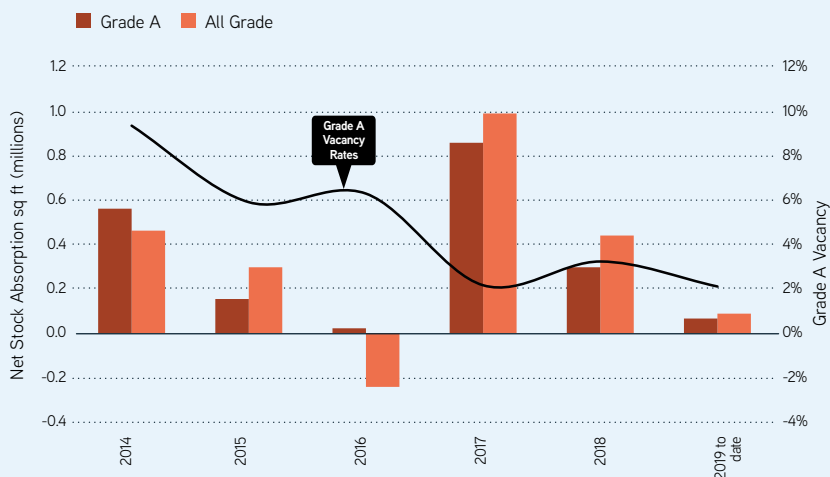
Source: Colliers International

**FIGURE 2: Q3 2019 MANCHESTER OFFICE TAKE-UP**  
 by Type



Source: Colliers International

**FIGURE 3: MANCHESTER NET STOCK ABSORPTION & VACANCY**  
 by Grade



Source: Colliers International

## SUPPLY

Strong leasing activity in the last few years continues to deplete Grade A office availability in Manchester. Across the entire city centre there is 129,831 sq ft of 'ready to occupy' Grade A office space, in just five buildings, currently available. The largest available space includes 70,542 sq ft at 101 Embankment, 26,285 sq ft at #8 First Street and 22,047 sq ft at 3 Hardman Square.

There is 1.2 million sq ft of new Grade A office supply under construction across nine buildings. 55% of that new build pipeline is located in "edge of city/city campus" locations, while the remainder is located in the traditional CBD. There are five new build schemes under way

that will deliver 732,375 sq ft over the next 12 months. These include: 125 Deansgate, Landmark, Two New Bailey Square, Salford, Riverside House, New Bailey and 2 Circle Square. There is 553,079 sq ft due to complete in 2020.

A future pipeline for delivery beyond 2021 is beginning to emerge, with a small number of schemes at NOMA, New Bailey and First Street, Southern Gateway obtaining a planning consent. However, they will not deliver before mid/late 2021 at the earliest.

## RENTS

Prime rents remained at £37.50 psf. The Grade B market has seen significant rental growth due to the lack of available Grade A space, with Grade B rents now at £28.50 psf. We are seeing pressure on Grade A rents from the upward pressure on rents in the Grade B market.

A shortage of supply over the next two years will see Grade A rents reach £40.00 psf in 2020.

## INVESTMENT

Q3 investment volumes in the city centre reached £35.75 million, which is the highest quarterly level of investment this year. However, investment volumes remain subdued for the year-to-date currently totalling £63 million.

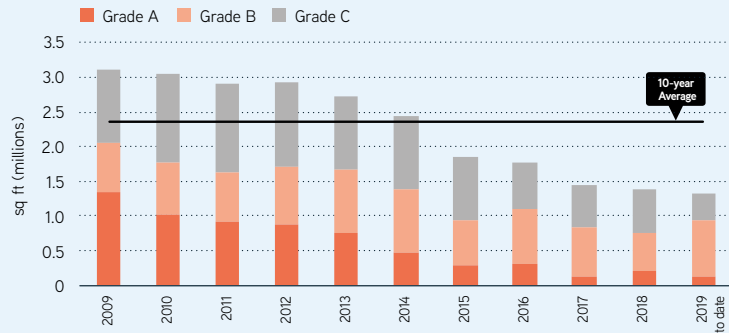
Topland Group PLC's purchases of 58 Spring Gardens (£19.1 million, 6.3% yield) and 151 Deansgate (£10.5 million, 5.5% yield) dominated Q3 investment transactions.

Prime yields in Manchester are at 4.75% and have remained so for several years. As a result of continued occupational and

investor demand and sustained rental growth prime yields will be maintained for the foreseeable future and capital values will increase though further rental growth.

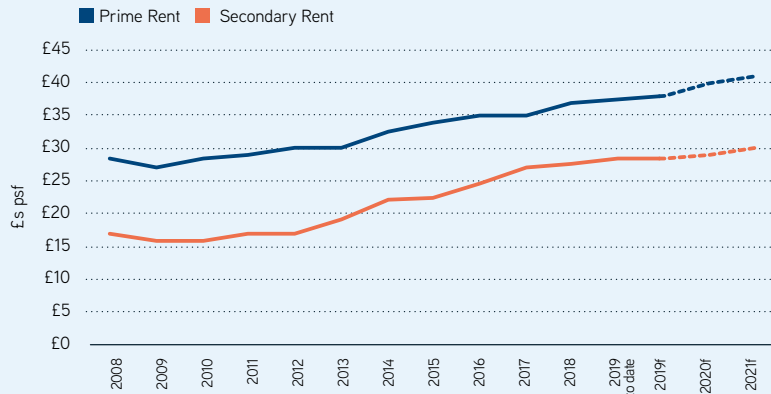
Investor demand in Manchester for prime let stock remains buoyant and diverse. Manchester's global appeal and sustained rental and capital performance has made the city the preferred UK regional destination for international investors and UK funds alike seeking to invest outside of London.

**FIGURE 4: MANCHESTER OFFICE AVAILABILITY by Grade**



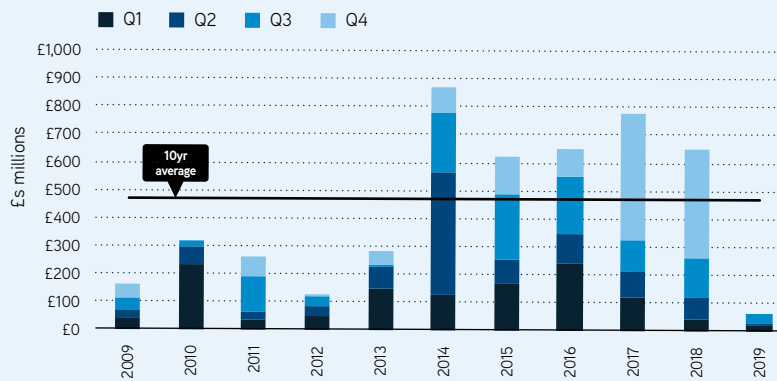
Source: Colliers International

**FIGURE 5: MANCHESTER OFFICE RENTS & FORECASTS (2008-2021)**



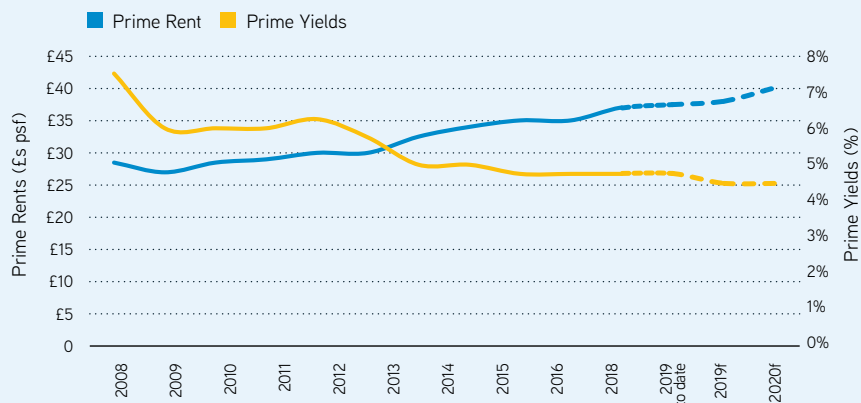
Source: Colliers International

**FIGURE 6: MANCHESTER OFFICE INVESTMENT VOLUMES (2009-2019)**



Source: Property Data / Colliers International

**FIGURE 7: MANCHESTER OFFICE RENTS & YIELDS (2008-2020)**



Source: Colliers International

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