We’re pleased to provide our latest analysis on the Manchester office market.

Release of take-up figures for H1 2015 confirms Manchester as the most active of the regional ‘big six’ cities outside of London for office take-up. Its success, at the epicentre of the Northern Powerhouse, is due to a diverse range of business sectors already resident, its transport and higher educational infrastructure, a cosmopolitan retail and leisure offer and its ability to continually attract both inward investors and grow existing occupiers.

A strong H1 2015 performance has resulted in a significant reduction of City Centre Grade A office supply to historically low levels and an ongoing shortage for a number of years as developers scramble to bring schemes to market.

Delivery of further new space will be negligible until at least 2017, which will increase downward pressure upon Grade A vacancy with a consequent upward pressure on headline rents and reduction in tenant incentive. Prime headline rents are expected to be established at £34 psf before the end of 2015.

Annual city centre take-up in 2014 reached a record level with over 1.3m sq ft of deals transacted and it looks like 2015 is going to be another strong year.

Take-up in the city centre recorded by the Manchester Office Agents Forum (MOAF) during Q1 2015 was approximately 319,000 sq ft. Figures for the second quarter reveal another strong performance up at 359,829 sq ft, bringing the half year total for 2015 to 678,677 sq ft. This compares to the H1 2014 figure at 789,611 sq ft.

Whilst the headlines confirm another strong start to the year, further analysis of the figures reveals what may also be a significant reversal in the way office space is being taken up.

In 2014 city centre take-up followed a decades old model of being a predominantly small suite market with 80% of all deals being for space of less than 5,000 sq ft. This year the situation so far shows a dramatic change in that pattern.

In Q1 2015, 14% of deals were for space in excess of 5,000 sq ft, accounting for over 60% of the space taken up. In Q2 2015 the trend is continuing with nearly 19% of deals being for space of more than 5,000 sq ft, accounting for over 65% of the total taken up.

With a number of large occupier requirements still to be satisfied, it may just be that the City is becoming more of a larger suite market.

Other parts of the region are also doing well with Salford Quays returning to be a major player, with Talk Talk’s 106,000 sq ft relocation to Soapworks being a likely contender for stand out deal of the year. A total of 874,258 sq ft was transacted within the South Manchester, Salford Quays and Warrington markets in H1 2015.

We hope you find this analysis useful. For further insight, look out for our Manchester Net Stock Absorption (NSA) report that’s due out shortly. Our NSA reports monitor changes in office occupation levels by showing the net change in total occupied stock within a given market. Colliers International was the first UK real estate or property company to produce NSA figures for the major UK office markets. NSA is an analytical tool that is considered vital in the North American markets and has been established there for over three decades.

If you would like to discuss any aspect of this analysis further, please don’t hesitate to get in touch.

Peter Gallagher | Director | Manchester Office
+44 161 831 3361 | +44 7812 971560
Peter.Gallagher@colliers.com