Market Highlights

Following strong transactional activity of 1,318,282 sq ft in 2015, the Manchester office market is set for another solid year, with 414,937 sq ft transacted in 123 deals in the first half of 2016. The lettings of 10,883 sq ft to Mazars at One St Peter’s Square, Co-op Bank’s leasing of 32,974 sq ft at Martin’s House and Bruntwood’s relocation of their own office to York House, absorbing 10,591 sq ft, were the standout Q2 transactions. Earlier in the year, Squire Patton Boggs took 28,000 sq ft at 1 Spinningfields, while Kacoo Fashion secured 25,638 sq ft at Fabrica.

With key lettings due to complete shortly, such as Freshfields taking 80,848 sq ft at One New Bailey, and other large scale requirements progressing, including Swinton Insurance (165,000 sq ft at 101 Embankment) and Irwin Mitchell (22,000 sq ft), Manchester take-up is set to be boosted during the second half of the year, potentially topping the 1 million sq ft annual figure again.

Throughout the whole City Centre there is a total of circa 176,000 sq ft of available existing Grade A office space. This includes 87,252 sq ft at 1 St Peter’s Square, as well as 75,000 sq ft of 5 to 10-year-old existing Grade A offices to let in 40 Spring Gardens, 3 Hardman Street and 3 Hardman Square. The largest single floor plate and contiguous office suite available for immediate occupation is approximately 35,000 sq ft at 40 Spring Gardens.

We expect that present levels of Grade A office take-up and completion of lease transactions currently under offer will result in an unprecedented complete absence of ‘ready to occupy’ Grade A supply by the end of 2016, which will persist until at least Q3 2017.

Figure 1: Manchester Take-up (2006 - 2016)
While the Manchester office market currently has 1.062 million sq ft of new Grade A offices under construction (in six buildings), 530,000 sq ft is already pre-let or let during construction, leaving effectively 532,000 sq ft available in five buildings: 101 Embankment, 2 St Peter’s Square, 1 Spinningfields, New Bailey and 8 First Street.

The prime rent for Grade A office accommodation in Manchester city centre reached £35 psf at the end of 2015, and £24.50 psf is currently being sought as an asking rent for second-hand office space. A shortage of supply and choice over the next two years is expected to put further upwards pressure on office rents, with rents for the best new space expected to reach circa £40 psf by 2019.

The investment market in the first half of 2016 was dominated by two major deals: Ares Management LLC’s acquisition of 3 & 4 Piccadilly Place for £115m and Union investment’s acquisition of XYZ Spinningfields for £85m, reflecting a net initial yield of 4.80%. The investment activity in Manchester slowed in the run-up to the EU referendum and after the vote, however, weaker sterling has created investment opportunities some, evidenced by the number of transactions that have gone to solicitors in the recent weeks. The Manchester office market has been showing resilience, both prior and following the EU referendum.

Figure 3: Manchester Availability by Grade

Figure 4: Manchester Development Pipeline

Figure 5: Manchester Rents & Forecasts

*All Charts are sourced to Colliers International