



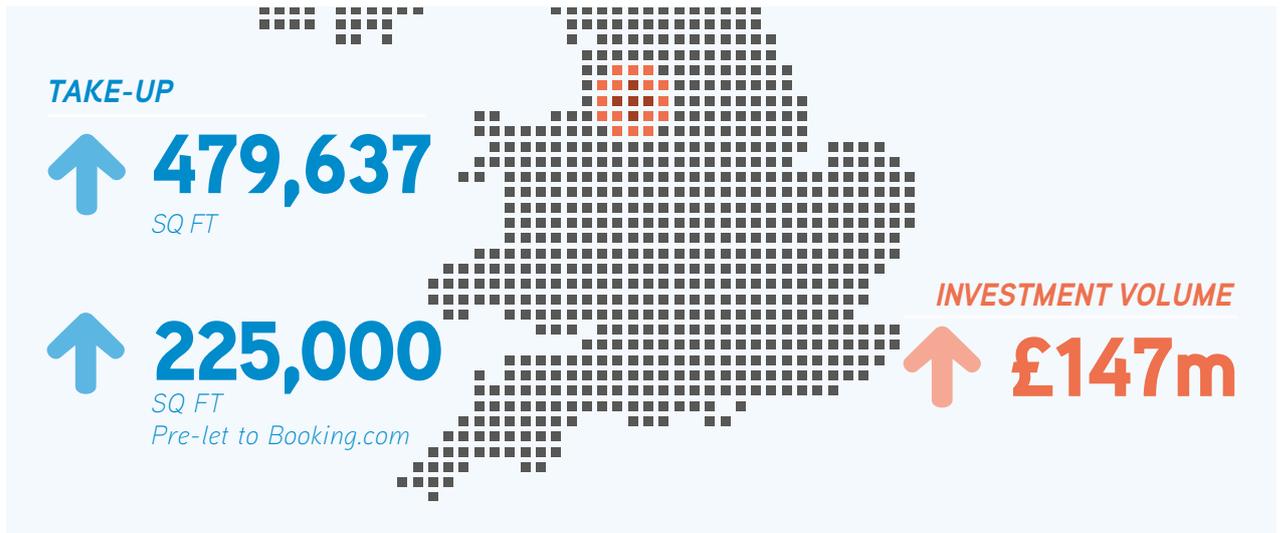
UNITED KINGDOM

# MANCHESTER

# OFFICES

QUARTER 3 | 2018





## TAKE-UP

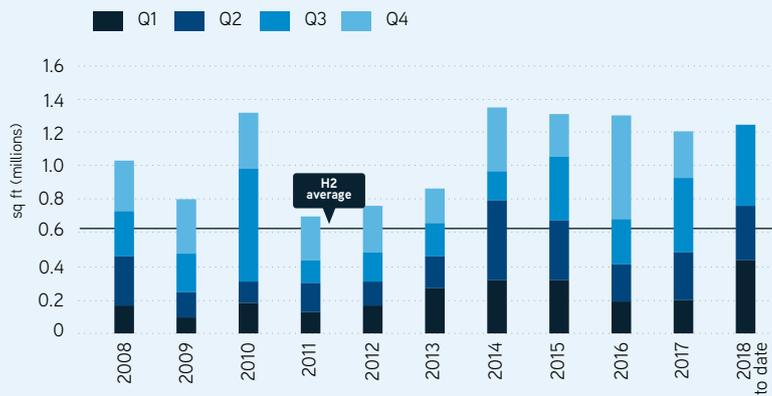
Leasing activity in the Manchester office market for the first three quarters of 2018 stood at 1,248,755 sq ft, which is 4% higher than the 1,212,572 sq ft let in the whole of 2017. Q3 saw 479,637 sq ft leased, a dramatic 47% increase q-o-q and 8% y-o-y increase. Such steady demand could see year-end take-up levels reach 1,500,000 sq ft, which would be a record high.

Take-up was dominated this quarter by the pre-let of 225,000 sq ft to Booking.com at St John's. The other major lettings this quarter were for space between 20,000 sq ft and 27,000 sq ft. Included amongst those lettings were

Odeon leasing 26,500 sq ft at 8 First Street, another pre-let for 22,500 sq ft at the ABC Building (in-refurbishment) to the Farm Group and finally In Touch Networks took 22,000 sq ft at 3 Hardman Square.

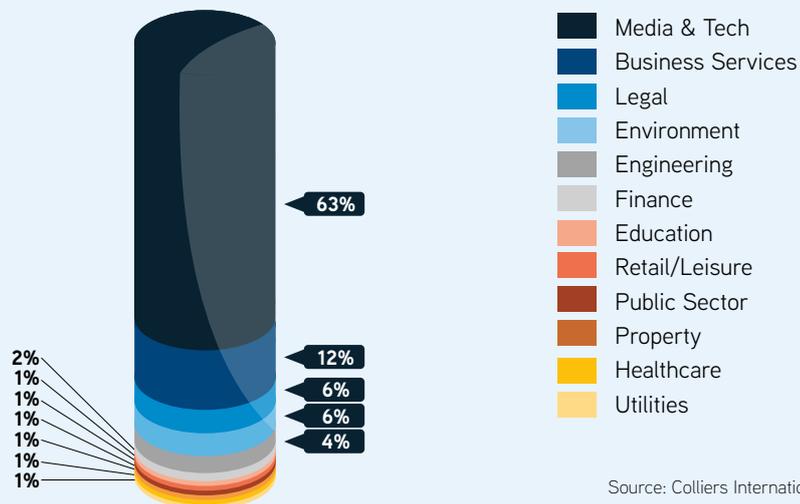
The media, tech and business services occupiers were the most active sectors taking a combined 361,930 sq ft, which accounts for 75% of total take-up in Q3. The Booking.com deal was the largest occupier deal in the media and tech sector, with The Farm Group and In-Touch Network deals contributing to the combined take-up activity for these two occupier groups.

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



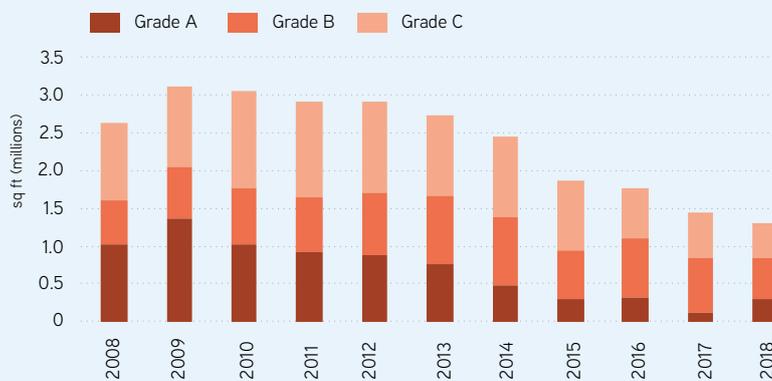
Source: Colliers International

**FIGURE 2: Q3 2018 TAKE-UP**  
 By Business Type



Source: Colliers International

**FIGURE 3: OFFICE AVAILABILITY**  
 By Grade



Source: Colliers International

## SUPPLY

Strong leasing activity in the last few years continues to deplete Grade A office availability in Manchester. Located within the city core and Spinningfields areas, there is circa 143,000 sq ft of ready to occupy Grade A supply, with a further 164,000 sq ft available in two other 'edge of city' locations. The largest available space includes 91,600 sq ft at Hanover, 70,542 sq ft at 101 Embankment and 39,728 sq ft at 3 Hardman Square amongst others.

In H1 2018 there was c. 400,000 sq ft of new Grade A office space under construction across the city core, this has significantly increased in Q3 to 1.2 million sq ft underway in 10 buildings. Amongst those buildings under construction are 125 Deansgate,

Landmark, 11 York Street, 1& 2 Circle Square and 1 Brazennose Street. There is more space underway in the 'edge of city' at Two New Bailey Square, Riverside House and 100 Embankment. The majority of schemes will be delivered in late 2019 and 2020 and the pre-letting trend is expected to continue. 8 First Street is pre-let for all but one floor, Riverside House is 51% pre-let to MUSE and Two New Bailey saw Eversheds taking 50,000 sq ft by way of a pre-let.

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

## RENTS

Whilst there is no change in Grade A rents in Manchester city centre, asking rents of £36 psf are being set at 1 Spinningfields and are expected to be the new Grade A benchmark.

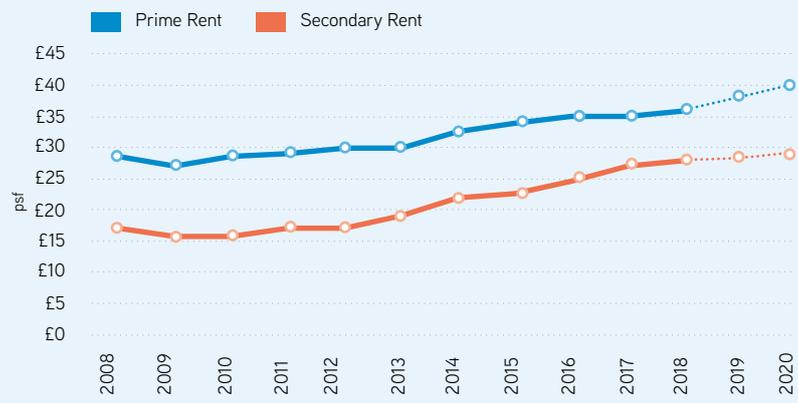
A shortage of supply and choice over the next two years is expected to drive further rental growth and rents for the best new space are expected to reach £36 psf by the end of 2018.

## INVESTMENT

Following a record £453 million transacted in the final quarter of 2017, investment volumes for the year to date are £264 million, which is well below investment volumes a year ago. Q3 transaction volumes saw an increase in activity to £147 million. The largest transaction in the third quarter was the £54.2 million purchase of four buildings at Manchester Business Park by Dimah Capital (Kuwait) at a net initial yield of 6.13%. The second largest transaction this quarter saw Harmsworth Pooled PUT purchase 76 King Street for £18.25 million at a 4.85% net initial yield.

In the absence of medium to long term secure income, investors have been acquiring buildings with vacancy at almost prime rack rented yields as evidenced by Royal London's recent acquisition of 3 Hardman Square at a NIY or 4.10% moving to 5% when fully let. Prime yields in Manchester are between 4.75% and 5% and have been so for several years. As a result of continued occupational and investor demand and sustained rental growth, we believe that prime yields will move in further and capital values will increase though rental growth.

**FIGURE 4: OFFICE RENTS & FORECASTS**  
 (2008-2020)



Source: Colliers International

**FIGURE 5: OFFICE INVESTMENT VOLUMES**  
 (2007-2018)



Source: Property Data / Colliers International



*Steady occupier demand in Manchester could see year-end take-up reach record highs - 1.5 million sq ft*



## FOR MORE INFORMATION

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