RESEARCH & FORECASTING UK

CENTRAL MANCHESTER OFFICES Q4

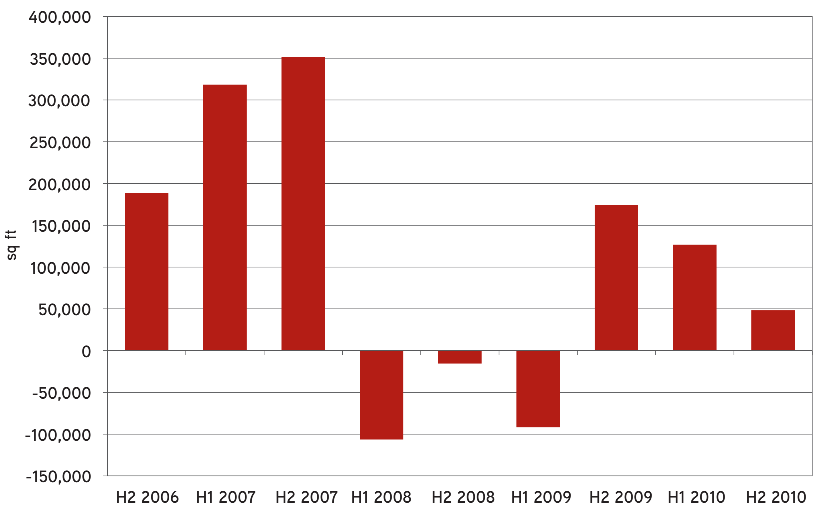
Colliers INTERNATIONAL

MANCHESTER	
ABSORPTION	↓
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→
CITY CORE	
ABSORPTION	↑
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→
PICCADILLY	
ABSORPTION	↓
AVAILABILITY	↑
TAKE-UP	↑
RENTS	→
CASTLEFIELD	
ABSORPTION	↑
AVAILABILITY	↑
TAKE-UP	↑
RENTS	→
NORTHERN QUARTER	
ABSORPTION	↑
AVAILABILITY	↓
TAKE-UP	↑
RENTS	→

Central Manchester Highlights

- Net stock absorption of office space in Manchester remained positive in H2 2010, as occupation levels rose by 47,912 sq ft. Grade A occupancy increased by 207,218 sq ft (5%) over the same period.
- Annual Manchester city centre take-up saw a marked uplift in 2010 compared to 2009. Total transactions across central Manchester reached 1.3 million sq ft in 2010, a year on year rise of 66%. Much of that uplift was due to the 328,000 sq ft pre-let to the Co-op at its Miller street site.
- Accordingly, Grade A take-up was a healthy 752,210 sq ft in H2 2010. This represented a quadrupling of the level recorded in H1 2010 when the average Grade A deal size was 3,210 sq ft. Excluding the Co-op deal, the H2 2010 equivalent figure rose to 5,281 sq ft
- End of year availability was down by 2% on Q4 2009. However, total availability, at 3.0 million sq ft, remains substantially above the 10 year annual average of 1.9 million sq ft. The overall vacancy rate is 17.3%, down from the recent high of 17.8% in December 2009.
- Availability of Grade A has continued to contract and now stands at a two year low. Over the past 12 months, the amount of vacant Grade A space has fallen by 24%, with Grade A vacancy at its lowest level since December 2007.
- Headline rents remain at £27.50 psf, but deals have been struck in excess of this figure for sub 5,000 sq ft units. A 1,900 sq ft suite at the Pinnacle was let to R2 at £30 per sq ft on a five year term certain. Additionally, there is evidence of incentives reducing and by implication a hardening of rents.

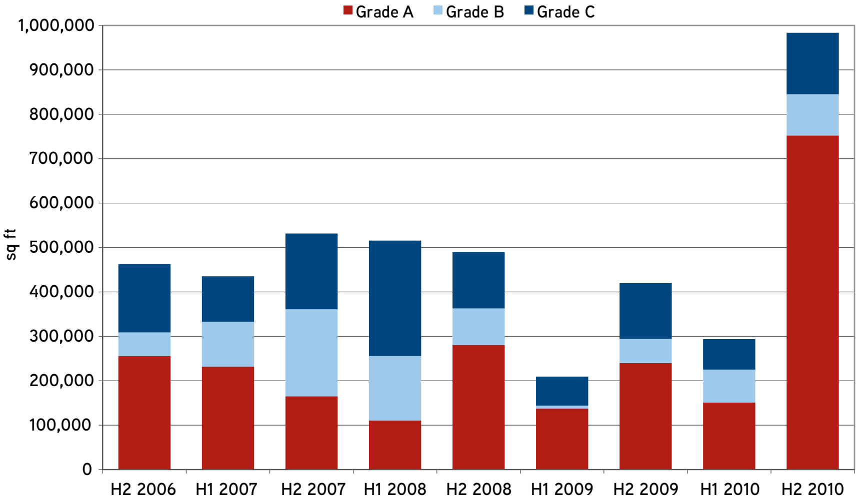
FIGURE 1: MANCHESTER NET STOCK ABSORPTION



Source: Colliers International

Summary

FIGURE 2: MANCHESTER TAKE-UP BY GRADE



Source: Colliers International

- Although the current vacancy rate (17.3%) remains substantially above the 10 year average of 11.8%, the Manchester office market saw encouraging levels of activity in 2010. Grade A occupation has risen steadily over the past 12 months, rising by 13% since June 2009. The proportion of Grade A space that is occupied is now close to 80%, up from 72% just 12 months previously.
- Grade A absorption of office space reached 446,647 sq ft during 2010, up from 388,194 sq ft in 2009. In 2009, there were a total of 52 transactions recorded for Grade A quality space. During 2010 that figure rose to 82 with 52 alone being recorded between June and December. 50% of Grade A taken up was in the City Core where space continues to be absorbed at schemes that completed during 2008 such as Belvedere, Chancery Place and 19 Spring Gardens. We expect a return of the pre-let over the next 18 months.
- Overall, availability of office space within central Manchester continued to see modest declines throughout 2010; however, most of that reduction has been in the Grade A category. Second-hand availability has leapt by 35% year on year, now accounting for 47% of total availability compared to just over one third at the end of 2009. Vacant Grade C space has increased by 222,000 sq ft in the last 12 months, a rise of 21% year on year.
- There is no evidence of the recommencement of speculative development activity in central Manchester at present, we anticipate continuing healthy absorption of Grade A space, particularly within the core locations. Grade A availability within the City Core fell by 317,000 sq ft or over 53% during 2010. With such a sparse pipeline of schemes, larger requirements may need to consider non-core business districts such as Salford Quays, Central Park and south Manchester, as well as innovative occupational solutions.

FIGURE 3: MANCHESTER OFFICE MARKET SUMMARY

	Stock sq ft	Availability sq ft	NSA sq ft	Take-up sq ft	
Submarket	**H2 2010**	**H2 2010**	**H2 2010**	**H1 2010**	**H2 2010**
City Core	5,535,573	1,116,760	137,263	85,816	265,799
Piccadilly	5,228,103	1,085,480	-97,711	112,573	146,330
Castlefield/ Salford	4,387,456	676,764	-71,264	85,866	161,800
Northern Quarter	1,085,460	144,033	65,674	9,422	81,485
City Total	**17,631,271**	**3,023,037**	**47,912**	**293,677**	**983,414**

Source: Colliers International

480 offices in 61 countries on 6 continents

United States: 135
Canada: 39
Latin America: 17
Asia Pacific: 26
ANZ: 168
EMEA: 95

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