



UNITED KINGDOM

MANCHESTER

OFFICES

QUARTER 2 | 2019



H1 2019 TAKE-UP

806,024 SQ FT

GRADE A VACANCY

1.9%

Q2 2019 TAKE-UP

491,291 SQ FT

PRIME RENTS

£37 PSF

GRADE A TAKE-UP

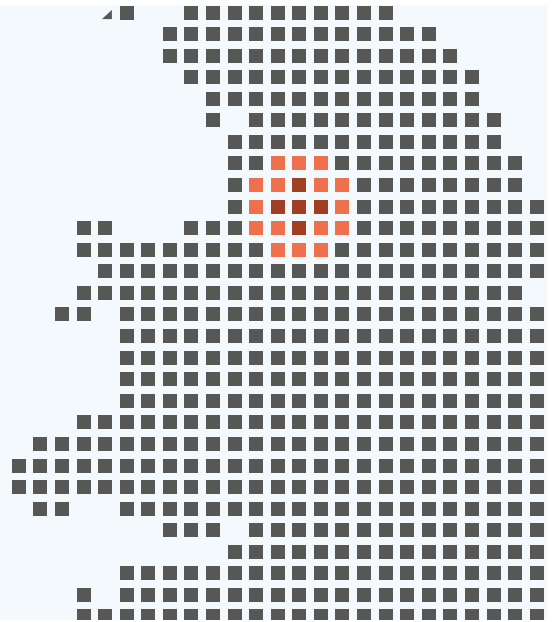
45% OF TOTAL TAKE-UP

H1 2019 INVESTMENT VOLUME

£27m

GRADE A NSA

POSITIVE

79,606 SQ FT

TAKE-UP

First half city centre take-up stood at 804,021 sq ft in 124 transactions. H1 2019 leasing activity represents the highest level of occupier demand since H1 2014 (801,981 sq ft). H1 take-up exceeds the rolling H1 average by 28%. Strong take-up in Q2 saw 491,291 sq ft let in 26 deals. Should transactional demand continue into the second half, Manchester year-end take-up looks set to exceed the 5 yr Rolling Average of 1.2 million sq ft.

With Grade A supply tightening in the city centre, occupier demand remained high. Grade A net stock absorption* in the city centre was positive as Grade A supply decreased and occupied space increased. Q2 Grade A take-up accounted for nearly 45% (219,891 sq ft) of total take-up. The three largest Grade A deals this half were in Q2. This quarter the largest deal was the 121,892 sq ft pre-let to Spaces at 125 Deansgate. This transaction represented an expansion for Spaces, who already

have 83,000 sq ft at Peter House. The second largest deal in Q2 was 82,000 sq ft pre-let to WPP at Enterprise City. WPP will create a purpose-built home for their five media agencies on the former Granada Studios site. The third deal saw WeWork lease 50,000 sq ft at Hyphen. This deal also represented further growth for WeWork in Manchester; they already have space in Dalton Place, No 1 Spinningfields and 1 St Peter's Square.

The Spaces and WeWork deals contributed to the strong serviced office sector activity in H1, representing 26% of total take-up. The Media & Technology sector was the second most active occupier in H1 2019 with 23% of total take-up. Q2 saw 121,777 sq ft of Media & Technology transactions, which was dominated by the WPP deal (82,000 sq ft).

*Net stock absorption assesses the change in physically occupied space within a given time period.

FIGURE 1: MANCHESTER OFFICE TAKE-UP
 By Quarter

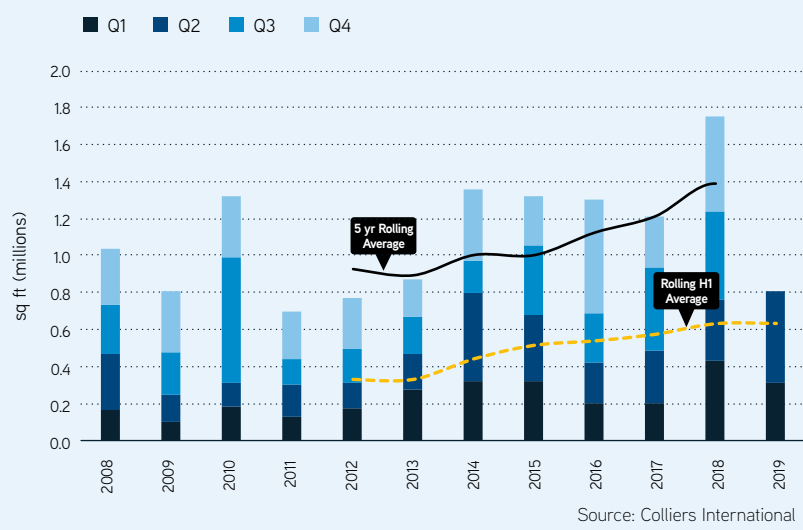


FIGURE 2: H1 2019 MANCHESTER OFFICE TAKE-UP
 By Type

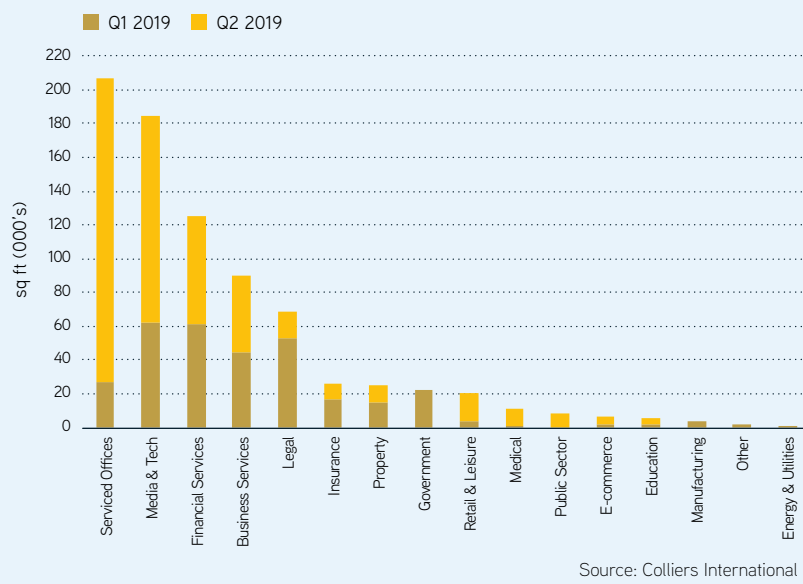
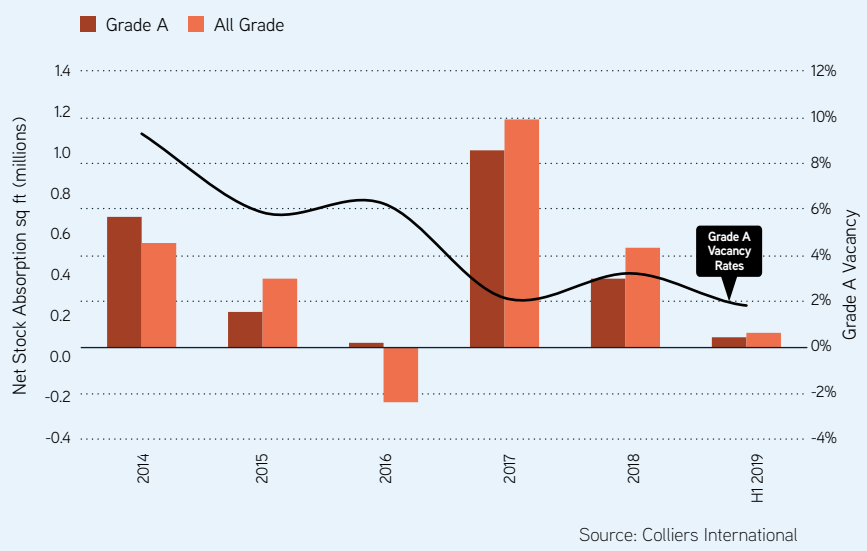


FIGURE 3: MANCHESTER NET STOCK ABSORPTION & VACANCY
 By Grade



SUPPLY

Strong leasing activity in the last few years continued to deplete Grade A office availability in Manchester. Across the entire city centre there is 116,596 sq ft of 'ready to occupy' Grade A office space in just five buildings. The largest available space includes 70,542 sq ft at 101 Embankment, 26,285 sq ft at #8 First Street, Southern Gateway.

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 four 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 (Building 4). 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 planning consent. However, they will not deliver before mid/late 2021 at the earliest.

RENTS

Prime rents rose to £37.00 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 £27.50 psf. The upward pressure on rents in the Grade B market is now putting more pressure on Grade A rents.

A shortage of supply over the next two years is expected to drive further rental growth, with Grade A rents expected to reach £40.00 psf by the end of 2020.

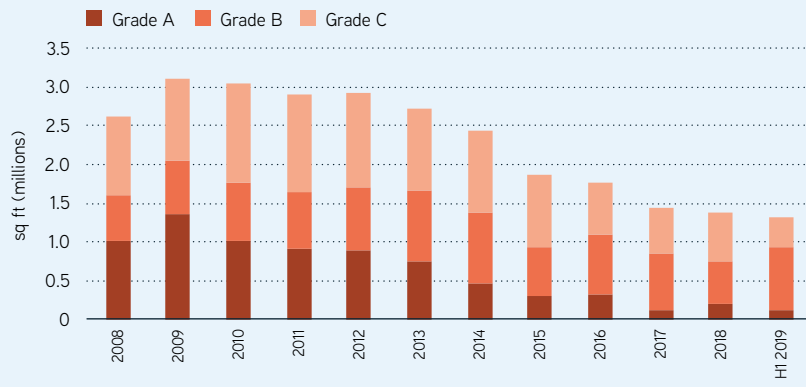
INVESTMENT

First half 2019 Manchester city centre investment volumes were subdued, with only £27 million transacted across five deals.

Prime yields in Manchester City Centre have remained consistent at 4.75% - 5.00% for several years. With sustained occupational and investor demand, a lack of stock as well as continued rental growth forecasted, we believe that prime yields will be maintained at current levels.

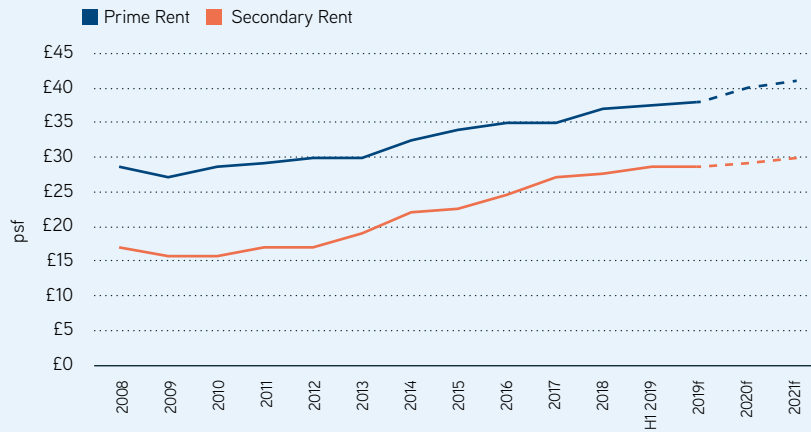
Manchester's global appeal and sustained rental and capital performance has made the City the preferred UK regional destination for international investors and UK funds, alike, seeking to invest outside of London.

FIGURE 4: MANCHESTER OFFICE AVAILABILITY
 By Grade



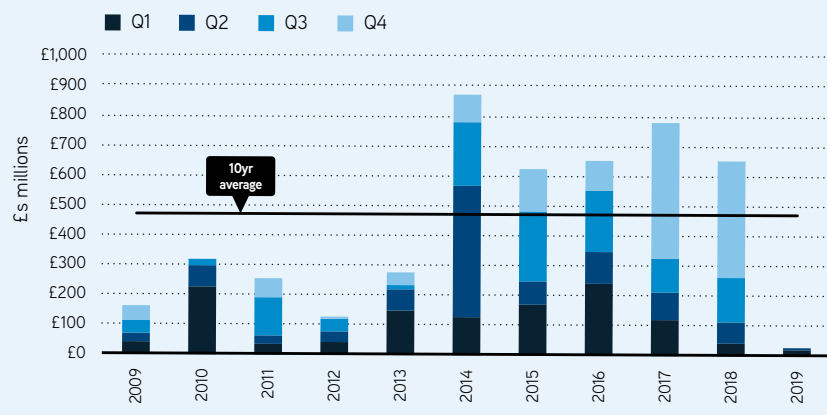
Source: Colliers International

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



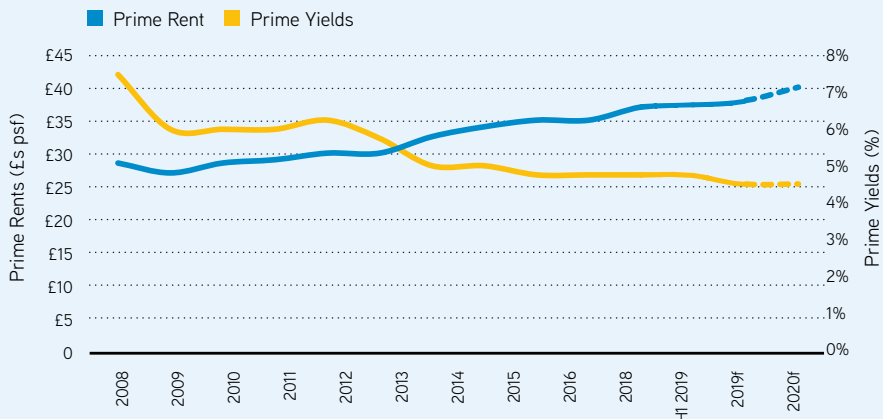
Source: Colliers International

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



Source: Property Data / Colliers International

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



Source: Colliers International

FOR MORE INFORMATION

OFFICES

Michael Hawkins
+44 161 831 3354
michael.hawkins@colliers.com

Peter Gallagher
+44 161 831 3361
peter.gallagher@colliers.com

Dominic Pozzoni
+44 161 831 3351
dominic.pozzoni@colliers.com

Scott Shufflebottom
+44 161 831 3352
scott.shufflebottom@colliers.com

RESEARCH & FORECASTING

Lisa Dean
+44 20 7487 1961
lisa.dean@colliers.com

NATIONAL INVESTMENT

James Preston
+44 161 831 3365
james.preston@colliers.com

Chris Ward
+44 161 831 3364
chris.ward@colliers.com

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Colliers International | UK
50 George Street
London W1U 7GA



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